Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-1

TO: Freddie Mac Servicers January 14, 2011

INTRODUCTION

As discussed at our 2010 Servicing Conference, and highlighted in several articles on our *Single-Family News Center* during 2010, Freddie Mac continues to work on finalizing and implementing Servicing technology improvements that strengthen the Servicing of Freddie Mac-owned Mortgages. A primary focus of our Servicing technology strategy in the coming year is full implementation of the new Freddie Mac Service Loans application and the Freddie Mac Reimbursement System.

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are:

- Introducing the Freddie Mac Service Loans application, an easy to navigate web-based interface that will enable Servicers to more easily and efficiently service Freddie Mac-owned Mortgages. Once the application is fully implemented by all Servicers, we will completely retire MIDANET® for the PC ("MIDANET") for Servicing functions.
- Incorporating into the Guide the requirements for using the new Reimbursement System, which were previously announced in Bulletin 2010-10. As part of this update, we are:
  - Replacing former Guide Chapter 71, *Reimbursement of Expenses*, with the requirements for requesting reimbursement through the new Reimbursement System. In addition, we are moving the requirements of former Chapter 71 regarding the Online Reimbursement System to new Chapter A71, *Reimbursement of Expenses – Online Reimbursement System*, which will eventually be retired from the Guide.
  - Introducing new Guide forms and exhibits related to the use of the Reimbursement System
  - Changing some expense reimbursement processes and requirements
  - Providing additional guidance regarding certain expense reimbursement requirements

We are also making the following additional changes to our Servicing requirements:

- Updating the Guide to extend protections for service members originally provided under the Housing and Economic Recovery Act (HERA) amendment of the Servicemember's Civil Relief Act (SCRA)
- Updating Guide Section 59.1, *Escrow for Taxes, Ground Rents, Assessments and Other Charges*, to provide additional guidance with respect to the collection of Escrow and the payment of tax liens
- Revising a financial rating agency institution name in Section 77.10, *Insured Depository Tier Ratings*
- Updating Guide Exhibit 79, *Designated Counsel/Trustee*, to include the addition of the 11 new designated counsel for the State of Florida, which we announced on December 17, 2010 in a *Single-Family News Center* article.
- Updating Guide Directories 5 and 6

SERVICE LOANS APPLICATION

With this Bulletin, we are announcing the implementation of the Service Loans application that will serve as the primary gateway into Freddie Mac for investor, including default, reporting functions.

This new web-based application offers a more intuitive Servicing technology with:

- An easy to navigate web interface that no longer requires use of a modem for connectivity
- Easy access to the application and data from the convenience of any desktop
- A user-friendly interface and drop-down menus to facilitate data entry and reduce redundancy

Effective date

Servicers will be migrated to the Service Loans application in a phased approach beginning in **April 2011**. We expect the final migration of all Servicers from MIDANET to the Service Loans application to be completed by **September 30, 2011**. See *Adoption Plan* later in this Bulletin for more information on our transition plans.

Functionality and benefits

In the Service Loans application, drop-down menus make data entry easier to allow Servicers to report:

- Monthly loan-level exception (e.g., payoff, third party foreclosure sales, etc.) and non-exception (e.g., principal and interest payments, etc.) activity – Servicers will report the same activity currently being reported through MIDANET
- Default reporting activity – Servicers will report the same Electronic Default Reporting (EDR) activity currently being reported through MIDANET
- Foreclosure sale/deed-in-lieu activity

Using the Service Loans application, Servicers also have the ability to:

- Customize the import file mapping
- View or browse activity on existing Mortgages
- Process Subsequent Transfer of Servicing requests
- Export data
- Obtain confirmations and notifications
- Access other Freddie Mac Technology tools, such as Investor Accounting Manager^{SM} (IAM), Default Reporting Manager^{SM} (DRM), and Servicer Performance Profiles through links provided in the application

Adoption plan

To ensure a smooth transition, Freddie Mac is using a phased approach to bring Servicers onto the Service Loans application. Migration will begin in **April 2011**, and Freddie Mac will contact Servicers 45-60 days in advance of their scheduled migration date to provide information on the transition process. As previously mentioned, we expect to complete the final migration of all Servicers from MIDANET to the Service Loans application by **September 30, 2011**.

Servicers that utilize subservicers for reporting must ensure that subservicers convert to the Service Loans application in accordance with the Servicer's scheduled migration date. Freddie Mac will provide necessary support to Servicers to assist them with the conversion of their subservicers to the new application.

Application requirements

Following are the minimum recommended browser and settings configuration when using the Service Loans application:

Configuration Details	Minimum Configuration	Recommended
System Configuration	Pentium III® 450MHz, AMD Athlon™ 600MHz	Pentium III 450MHz, AMD Athlon 600MHz and above
Operating System	Microsoft Windows® XP	Microsoft Windows XP SP3
System Memory	1 GB	2 GB
Browser	Microsoft Internet Explorer® 6, Firefox® 3.0	Microsoft Internet Explorer 6 or 7, Firefox 3.5
Flash Player	Adobe® Flash® Player 10	Adobe Flash Player 10
Screen Resolution	1024 x 768	1024 x 768

User role assignments

Freddie Mac will e-mail Servicers information about their scheduled migration. The e-mail will include a link to our Service Loans application resource area on FreddieMac.com where Servicers can download a Service Loans Application User ID and Roles Form ("Form") and review other resources about the migration process. Each Servicer must complete the Form and assign employees to the specified user roles (authorized tasks), below.

User roles are identified as follows:

Role	Activity
Loan Activity Analyst	Enter and submit performing, single loan activity (Loan Level/Investor Reporting)
Default Loan Activity Analyst	Enter and submit default loan activity (Electronic Default Reporting)
Foreclosure/Deed-in-Lieu Analyst	Enter and submit foreclosure sales results or deed-in-lieu activity (Foreclosure Sale/DIL reporting)
Portfolio Transfer Analyst	Manage portfolio transfer requests/Transfer of Servicing (Subsequent Transfer of Servicing/981)
Map Bulk File Analyst	Map bulk file (Import and create custom file)
Import Bulk File Analyst	Import bulk file (Import performing or EDR activity)
Customer Administrator	Submit requests to add, delete, or modify users Submit requests for role(s) assignments

Available resources

Freddie Mac will provide Servicers with details on training, fact sheets, the Service Loans User Guide, and other resources, including information about testing import mapping and exploring the application functionality in a customer test environment prior to migration. Look for more information in upcoming communications.

Servicers may also call (800) FREDDIE with questions.

Guide changes

In a future Guide Bulletin, we will update the Guide with requirements for using the Service Loans application, including requirements relating to terms and conditions for use.

REIMBURSEMENT SYSTEM

Effective date

Chapter 71 is effective **immediately** for all Servicers currently using the Reimbursement System. However, for Servicers who are in the process of transitioning to the Reimbursement System, the chapter will be effective as of the date they first access the Reimbursement System. The Online Reimbursement System will be retired on **March 31, 2011**.

Transitioning to the new Reimbursement System

In Bulletin 2010-10, we announced that the new Reimbursement System is replacing the Online Reimbursement System. We continue to work with Servicers who currently use the Online Reimbursement System to transition them to the new Reimbursement System. During the transition process, Freddie Mac is working with each Servicer to help train its staff and to complete all outstanding claims being processed in the Online Reimbursement System prior to the Servicer's transition to the new system.

We are scheduling the final migration of Servicers from the Online Reimbursement System to the new Reimbursement System in January and February of 2011.

Once Servicers are transitioned to the Reimbursement System, they may no longer submit requests for reimbursement through the Online Reimbursement System.

Chapters 71 and A71

Requirements for requesting reimbursement through the new Reimbursement System have been incorporated into Chapter 71, which has been rewritten in its entirety. Servicers using the new Reimbursement System must comply with the provisions of this chapter.

Requirements for requesting reimbursement through the Online Reimbursement System have been moved to new Chapter A71, which is applicable only to Servicers awaiting transition to the new Reimbursement System. This chapter will be retired from the Guide at a later date.

Forms and exhibits

We have created the following new forms and exhibits related to the use of the Reimbursement System:

- Exhibit 91, *Reimbursement System User Agreement – Servicer*. This User Agreement supersedes any other Reimbursement System terms of use document signed by the Servicer. Servicers using the Reimbursement System are deemed to be bound by all of the provisions of the *Reimbursement System User Agreement – Servicer*, set forth as Exhibit 91, to the same degree as if they had signed such agreement as a "User."
- Exhibit 92, *Reimbursement System User Agreement – Permitted Vendor*
- Guide Form 1200, *Reimbursement System User Setup Form*

We are retiring the following forms and exhibit when we retire the Online Reimbursement System:

- Paper Form 104SF, *Statement of Loan, Workout and REO Expenses and Income*, and paper Form 104DC, *Designated Counsel/Trustee*, will be retired because all Servicers will now be able to submit all expense reimbursement requests via the Reimbursement System
- Exhibit 75, *Adjustment Codes for Forms 104SF and 104DC*, will be retired because all Servicers will be informed of errors by accessing the Reimbursement System

Processes and requirements

Several reimbursement processes and requirements are changing as a result of a Servicer's implementation of the new Reimbursement System, including the following:

- Servicers must authorize an employee to be the system administrator who will govern access to the Reimbursement System by obtaining the signature of a vice president or more senior officer on new Form 1200. The system administrator must create user IDs and passwords, as applicable, to permit secure access to the new Reimbursement System by authorized users. Freddie Mac will provide further details about the completion of this new form during the transition process.
- Servicers must submit requests for reimbursement of expenses associated with modifications under the Home Affordable Modification Program (HAMP) via the Reimbursement System rather than the Spreadsheet for HAMP Reimbursement. Servicers either may have the option of manually inputting HAMP expenses into the Reimbursement System or may submit a batch file for processing in the Reimbursement System. Information on the Billing Batch Upload functionality is available in the Reimbursement System User Guide.
- The Customer Expense Payment Advice enclosed with a Servicer's reimbursement check will continue to include the Freddie Mac and Servicer loan numbers, as well as the amount reimbursed but will no longer include such details as dollar amount requested or error received. Instead, the details of all requested expense reimbursements will be available in the Reimbursement System as soon as the request is processed.
- Servicers will no longer need to access a separate system (i.e., Expense Manager) to determine the status of reimbursement requests. The Reimbursement System will include a reimbursement history from the prior two years, including reimbursements that were processed through the retired Online Reimbursement System.
- Requests to exceed our expense limits will no longer be submitted via e-mail, but will be submitted directly through the Reimbursement System's request for pre-approval (RPA) functionality
- Servicers will be informed of an expense reimbursement audit via the Reimbursement System. We have updated the Guide with the list of standard expense reimbursement documentation that Servicers must provide for an audit; this list also will be provided in the audit request notification. We will require the Servicer to provide audit documentation to us no later than seven Business Days after the date of the request or the Servicer may be denied reimbursement for the entire claim.

Access to Reimbursement System by Permitted Vendors

Servicers are permitted to grant access to the Reimbursement System to property preservation vendors, referred to as "Permitted Vendors" solely for the purpose of the Permitted Vendors requesting pre-approvals (RPAs) to exceed Freddie Mac's expense limits listed in Exhibit 57, *1- to 4- Unit Property Approved Expense Amounts*. Servicers must obtain an original signed Exhibit 92 from each Permitted Vendor, and must ensure that Permitted Vendors comply with the provisions of Exhibit 92. Chapter 71 of the Guide has been updated to include the requirements that Servicers must follow relating to Permitted Vendors.

Additional guidance applicable to Chapters 71 and A71

Chapters 71 and A71 have been updated to include the following:

- Freddie Mac reserves the right to require the Servicer to obtain competitive bids from multiple vendors for property preservation work
- Freddie Mac does not reimburse the Servicer for expenses incurred on Mortgages subject to full recourse or indemnification
- Expenses incurred on a Mortgage after the Mortgage has been repurchased by the Servicer are not eligible for reimbursement. However, if the Mortgage repurchase is pending, the Servicer must submit a request for reimbursement of expenses.

- The cost of credit reports for rejected workouts are considered a Servicer's cost of doing business and, therefore, Freddie Mac has removed this item from the list of reimbursable expenses in Chapters 71 and A71, and Section B65.58, *Reimbursement of Expenses for Rejected Workouts*.
- Servicers must now contact and obtain Freddie Mac's written approval before paying the taxing authority when federal, State, or local income tax liens would take priority over Freddie Mac's First Lien, as specified in Chapter 59, *Escrow and Prepayments*.

OTHER SERVICING CHANGES

Protections for service members

Effective January 1, 2011

In Bulletin 2010-32, Freddie Mac announced that we were extending the expiration date of the stay of foreclosure protections for service members under the HERA amendment to the SCRA from December 31, 2010 through December 31, 2011. The HERA amendment temporarily extended the stay of foreclosure proceedings from 90 days to a period of nine months after the service member's release from active duty. Subsequent to our announcement, Congress enacted the "Helping Heroes Keep Their Homes Act of 2010," which extended the expiration date of the HERA protection for service members to **December 31, 2012**. Therefore, with this Bulletin, Freddie Mac is updating the Guide to reflect the extension of this protection through **December 31, 2012**.

Servicers must not initiate or resume foreclosure for at least nine months after a service member is released from active duty, when the service member is released from active duty on or before December 31, 2012.

Collection of Escrow

Effective immediately

Section 59.1 has been updated to provide that the amount of Escrow a Servicer collects may include any "cushion" permitted by applicable law. In addition, we updated this section to state that a Servicer must discontinue collecting Escrow if required to do so by applicable law.

Financial rating agency name change

Effective immediately

We have revised the name of LACE Financial Corporation in Section 77.10 to reflect its acquisition by Kroll Bond Rating Agency, Inc. The requirements in this section remain the same.

Expansion of designated counsel/trustee program in Florida

As announced previously in the **December 17, 2010** *Single Family News Center* posting, Freddie Mac has added 11 new firms to our Designated Counsel Program in Florida. Servicers will receive Designated Counsel credit towards their foreclosure time line performance for any new foreclosure referrals to these new Designated Counsel on or after December 1, 2010.

Exhibit 79, available at http://www.freddiemac.com/service/msp/desig_counsel.html, has been updated to reflect these changes.

Guide Directory 5 and 6 changes

Directory 5 has been updated to remove a number of references rendered obsolete by the Reimbursement System process. Directory 6 has been updated to provide new contact information.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 54, 59, A65, B65, C65, D65, 66, 67, 70, 71, A71, 77, 78, and 82
- Form 1200
- Exhibits 57, 57A, 74, 75, 88, 91, and 92
- Directories 5 and 6

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-2

TO: Freddie Mac Sellers January 18, 2011

INTRODUCTION

In our continuing effort to promote responsible lending, we are revising certain refinance Mortgage eligibility and credit underwriting requirements in the *Single-Family Seller/Servicer Guide* ("Guide").

Credit underwriting and Mortgage eligibility

We are making the following changes to our refinance Mortgage requirements (effective for Mortgages with Settlement Dates on or after May 1, 2011):

- Requiring verification of funds
- Eliminating Freddie Mac-owned streamlined refinance Mortgages
- Requiring that a purchase money mortgage be seasoned for 120 days in order to be refinanced as a "no cash-out" refinance Mortgage

Guide updates reflecting requirements announced in previous Bulletins

Property Assessed Clean Energy (PACE) obligations – Effective August 31, 2010

- Updating applicable Guide sections to reflect the requirements announced in Bulletin 2010-20 for the refinance of Mortgages secured by properties with an outstanding PACE or PACE-like obligation that provides for First Lien priority

2011 loan limits

- Notifying Sellers that we have updated applicable Guide sections to reflect the 2011 base conforming loan limits and maximum temporary loan limits for Mortgages secured by properties in designated high-cost areas with Note Dates on or before September 30, 2011, as announced in Bulletin 2010-28

Guide Exhibit 19, *Postsettlement Delivery Fees*, correction

We have updated Exhibit 19 to undo a change made to the "Number of Units" grid in Bulletin 2010-30, which was published on November 22, 2010. Certain 2- to 4- unit Mortgages with loan-to-value (LTV) ratios greater than 80% are eligible for purchase and are subject to the applicable delivery fee.

CREDIT UNDERWRITING AND MORTGAGE ELIGIBILITY

Refinance Mortgages – Effective for Mortgages with Settlement Dates on or after May 1, 2011

Verification of funds

Currently, Freddie Mac does not require verification of funds on refinance Mortgages, except for reserves entered into Loan Prospector® and for Higher-Priced Mortgage Loans. With this change, verification of funds will be required for refinance Mortgages, excluding Freddie Mac Relief Refinance Mortgages℠ – Same Servicer where the principal and interest payment increase is less than or equal to 20% of the principal and interest payment most frequently made by the Borrower during the most recent 12-month period.

Chapter 24, *Refinance Mortgages*, Chapter A24, *Freddie Mac Relief Refinance Mortgages℠ – Same Servicer*, Chapter B24, *Freddie Mac Relief Refinance Mortgages℠ – Open Access*, and Chapter A34, *Home Possible® Mortgages*, have been revised to reflect these changes.

Freddie Mac-owned streamlined refinance Mortgages

Effective May 1, 2011, Freddie Mac will no longer purchase Freddie Mac-owned streamlined refinance Mortgages.

Chapter 17, *Mortgage Delivery and Settlement Processing*, Chapter 22, *General Mortgage Eligibility*, Chapter 23, *Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios*, Chapter 24, Chapter A24, Chapter B24, Chapter 25, *Secondary Financing and Other Financing Agreements*, Chapter 33, *Special Eligibility Requirements for Balloon/Reset Mortgages*, Chapter H33, *Manufactured Homes*, Chapter K33, *Mortgages for Newly Constructed Homes*, Chapter L33, *Super Conforming Mortgages*, Chapter A34, Chapter 37, *Underwriting the Borrower*, Form 11, *Mortgage Submission Schedule*, Form 13SF, *Mortgage Submission Voucher*, Exhibit A to Forms 11 and 13SF, Exhibit 17S, *Mortgage Products Available through the Selling System*, and Exhibit 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*, have been revised to reflect this change.

Seasoning – "no cash-out" refinance Mortgages

We are requiring that, when a mortgage being refinanced is a purchase money transaction, the mortgage being refinanced must have a Note Date at least 120 days prior to the Note Date of the "no cash-out" refinance Mortgage transaction.

Guide Section 24.5, *Requirements for "No Cash-Out" Refinance Mortgages*, has been updated to reflect this change.

Notice of changes to negotiated credit terms

Broad changes

Master Agreements that contain a provision permitting Freddie Mac to amend, supplement, revise or terminate a negotiated credit provision in a Purchase Document if such amendment, supplement, revision or termination is consistent with broad changes implemented by Freddie Mac, are amended effective for Mortgages with Settlement Dates on or after May 1, 2011 to reflect the elimination of Freddie Mac-owned streamlined refinance Mortgages announced in this Bulletin.

Specific negotiated credit provisions

Seller-specific negotiated credit provisions that permit Freddie Mac to amend, supplement, revise or terminate such provisions are amended effective for Mortgages with Settlement Dates on or after May 1, 2011 to reflect the elimination of Freddie Mac-owned streamlined refinance Mortgages announced in this Bulletin.

GUIDE UPDATES REFLECTING REQUIREMENTS ANNOUNCED IN PREVIOUS BULLETINS

Property Assessed Clean Energy (PACE) or PACE-like obligations that provide for First Lien Priority – Effective August 31, 2010

In Bulletin 2010-20, we announced additional requirements for the refinance of Mortgages purchased by Freddie Mac before July 6, 2010 that are secured by properties subject to PACE or PACE-like obligations originated before July 6, 2010 that provide for First Lien priority. Chapters 24 and B24 have been updated to reflect these requirements.

As a reminder, except for Freddie Mac Relief Refinance Mortgages – Open Access originated in accordance with the requirements of Section 24.9, *Requirements for Refinance of Mortgages Secured by Properties Subject to an Energy Retrofit Loan*, a Mortgage that is not a valid First Lien on the Mortgaged Premises meeting the requirements of Section 22.3, *Mortgage Valid First Lien; No Prior Liens; Mortgage Not Modified*, is ineligible for sale to Freddie Mac under a Seller's Purchase Documents.

2011 loan limits

In Bulletin 2010-28, we announced that we are maintaining temporary loan limits in designated high-cost areas at 2010 levels for Mortgages with Note Dates on or before September 30, 2011 and that the base conforming loan limits for 2011 will remain at their 2010 levels.

We have updated Section 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, to reflect the 2011 base conforming loan limits and Section L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*, to reflect the extension of the temporary high-cost area loan limits through **September 30, 2011** for super conforming Mortgages with Note Dates on or after **October 1, 2008** and on or before **September 30, 2011**.

DELIVERY

Special Characteristic Codes (SCC) updates

We are updating applicable exhibits and forms to retire SCC 288 (Freddie Mac-owned streamlined refinance Mortgage) as a result of the elimination of Freddie Mac-owned streamlined refinance Mortgages as announced in this Bulletin.

In addition, we are updating the Guide to change the description of SCC 532 (Affordable Housing Initiative Mortgage that satisfies the minimum number of payment reference requirement using Noncredit Payment References) and reflect the removal of SCC 916 (Mortgaged Premises completed after application) as it is no longer active. With these updates, Section 17.13.1, *Home Possible® Mortgages*, has been revised and Section 17.39, *Special Requirements if Mortgaged Premises Are Completed after Application*, has been deleted.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 17, 22, 23, 24, A24, B24, 25, 33, H33, K33, L33, A34, and 37
- Forms 11 and 13SF
- Exhibits 17S and 25

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Bulletin

NUMBER: 2011-3

TO: Freddie Mac Servicers February 16, 2011

SUBJECT: FREDDIE MAC SERVICE LOANS APPLICATION TERMS AND CONDITIONS FOR USE

In *Single-Family Seller/Servicer Guide* ("Guide") Bulletin 2011-1, published on January 14, 2011, we announced implementation of the Freddie Mac Service Loans application (Service Loans application), a web-based application that will replace MIDANET® for the PC ("MIDANET"). The Service Loans application will serve as the gateway into Freddie Mac for loan-level reporting, including monthly exception and non-exception activity, and default reporting activity.

With this Bulletin, Freddie Mac is providing information regarding the terms and conditions for use of the Service Loans application. These terms and conditions are being added to the Guide in new Guide Chapter A50, *Special Requirements for Servicing Mortgages Using the Freddie Mac Service Loans Application*. As part of their transition process to the application, Servicers should review new Chapter A50 in its entirety. Effective on a Servicer's migration date to the Service Loans application, the Servicer must comply with the requirements set forth in Chapter A50.

Reminder – Migration process information and support

As communicated in Bulletin 2011-1, Servicers will be migrated to the application in a phased approach beginning **April 2011**. We expect the final migration of all Servicers from MIDANET to the Service Loans application to be completed by **September 30, 2011**. Once a Servicer has been migrated to the Service Loans application, the Servicer must use the Service Loans application for all investor reporting, including default reporting activities, that the Servicer currently performs via MIDANET.

Freddie Mac will contact Servicers approximately 45-60 days in advance of their scheduled migration date to provide information on the migration process. In addition to adoption information, Bulletin 2011-1 provided information on the functionality and benefits of the new system, application requirements and user roles. We will provide Servicers additional information on training, fact sheets, the Service Loans User Guide, and other resources prior to migration.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Hagen Mooney

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-4

TO: Freddie Mac Sellers and Servicers March 1, 2011

INTRODUCTION

In our continuing effort to support responsible lending and sustainable homeownership, we are reducing the maximum loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratio requirements to 95% for all conventional Mortgages we purchase. Relief Refinance Mortgages℠ are excluded from this change. Freddie Mac purchases of conventional Mortgages with LTV/TLTV/HTLTV ratios greater than 95% have been minimal in recent years; however, the performance of these Mortgages has been unacceptable. This change will apply to Home Possible® Mortgages as well as certain negotiated terms.

We are also providing additional guidance for treatment of sales concessions as well as reminding Seller/Servicers that they are required to take appropriate action to ensure they receive notification of *Single-Family Seller/Servicer Guide* ("Guide") Bulletin publications.

SUBJECTS

With this Bulletin, we are making the following changes to our **selling requirements**:

Credit underwriting – Effective for Mortgages with Settlement Dates on or after June 1, 2011

- Lowering the maximum LTV, TLTV and HTLTV ratios to 95% for all conventional Mortgages; this applies to Home Possible Mortgages and certain negotiated terms

Negotiated terms – Effective March 1, 2011

- Adding new Guide Section 12.3.1, *Guide Plus Additional Provisions*, that includes information and requirements specific to Guide Plus, along with new Guide Form 905, *Guide Access Manager Identification and Certification Form*

Mortgage eligibility – Effective March 1, 2011

- Removing the requirement that, in certain circumstances, Sellers deduct the cost of financing and sales concessions from the appraised value

Additional guidance

We are also providing the following additional guidance:

- Specifying that short sale fees paid by the Borrower and reimbursed by an interested party must be considered and treated as sales concessions
- Reminding **Seller/Servicers** that they are required to take appropriate steps to ensure that they receive notification of Bulletin publications
- Updating Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*, to provide additional instructions with respect to completion of the Appraiser's State License Number field and reminding Sellers that registration is now open for federally regulated institutions with the National Mortgage Licensing System and Registry (NMLS) to obtain loan originator and loan origination company identifiers

Finally, we are reminding Sellers that an updated version of the Uniform Appraisal Dataset Specification ("UAD Specification") is now available at **www.freddiemac.com/sell/secmktg/uniform_appraisal.html**.

CREDIT UNDERWRITING

Lower maximum LTV, TLTV and HTLTV ratios

Effective for Mortgages with Settlement Dates on or after June 1, 2011

We are lowering the maximum LTV, TLTV and HTLTV ratios to 95% for all conventional Mortgages Freddie Mac purchases, with the exception of Relief Refinance Mortgages.

Home Possible

Home Possible Mortgages, including Home Possible Mortgages with Rural Housing Service (RHS) Leveraged Seconds, is the only offering in the Guide impacted by the above change.

Guide Chapter 17, *Mortgage Delivery and Settlement Processing*, Chapter A34, *Home Possible® Mortgages*, Chapter 35, *Eligibility Requirements for Special Housing Initiatives*, Guide Exhibit 17S, *Mortgage Products Available through the Selling System*, Exhibit 25, *Mortgages with Risk Class and/or Minimum Indicator Score Requirements*, Form 11, and Exhibit A to Forms 11 and 13SF have been revised to reflect these changes.

Exhibit 19, *Postsettlement Delivery Fees*, will be updated in a future Bulletin to reflect the above changes.

Additionally, certain exhibits and forms have been updated to remove Special Characteristic Codes (SCC) that are no longer applicable as a result of the lowering of the maximum LTV and TLTV ratios discussed above.

As a result of these changes, we are changing the name of Home Possible 97 to Home Possible and Home Possible 97 Neighborhood Solution to Home Possible Neighborhood Solution. The Home Possible 3% Cash and Home Possible 3% Cash Neighborhood Solution offerings will be retired.

Loan Prospector®

Loan Prospector eligibility and related feedback messages will be updated at a later date to support the change to maximum LTV and TLTV ratios for Home Possible Mortgages. Sellers will be notified when the changes are implemented. After Loan Prospector is updated, Sellers will continue to be able to deliver Home Possible Mortgages with LTV/TLTV ratios greater than 95% until **May 31, 2011**, provided the Mortgages meet all other applicable Freddie Mac requirements.

Notice of changes to negotiated credit terms - Broad changes

Master Agreements that contain a provision permitting Freddie Mac to amend, supplement, revise or terminate a negotiated credit provision in a Purchase Document if such amendment, supplement, revision or termination is consistent with broad changes implemented by Freddie Mac, are amended effective for Mortgages with Settlement Dates on or after June 1, 2011 to reflect the LTV/TLTV/HTLTV ratios announced in this Bulletin. In addition, negotiated terms that allow the delivery of Mortgages with LTV/TLTV/HTLTV ratios and/or Gross LTV ratios (as defined in Section 27.1.1, *Mortgage Insurance Premiums*) that exceed 95% are amended to reduce these ratios to 95%. These changes do not apply to Relief Refinance Mortgages.

Notice of changes to negotiated credit terms - Specific negotiated credit provisions

Seller-specific negotiated credit provisions that permit Freddie Mac to amend, supplement, revise or terminate such provisions are amended effective for Mortgages with Settlement Dates on or after June 1, 2011 to reflect the LTV/TLTV/HTLTV ratios announced in this Bulletin. In addition, negotiated terms that allow the delivery of Mortgages with LTV/TLTV/HTLTV ratios and/or Gross LTV ratios that exceed 95% are amended to reduce these ratios to 95%. These changes do not apply to Relief Refinance Mortgages.

Notice of changes to Guide Plus Additional Provisions

Guide Plus Additional Provisions that allow the delivery of Mortgages with LTV/TLTV/HTLTV ratios or Gross LTV ratios that exceed 95% are amended effective for Mortgages with Settlement Dates on or after June 1, 2011 to reduce these ratios to 95%.

NEGOTIATED TERMS

Guide Plus Additional Provisions

We have added Section 12.3.1 to the Guide. The new section includes information and requirements specific to Guide Plus Additional Provisions, our online contract terms made available through AllRegs®.

Sellers must authorize a designated representative ("Guide Access Manager") to be responsible for providing and maintaining user access to Guide Plus Additional Provisions. An authorized representative of the Seller must sign and submit new Guide Form 905, *Guide Access Manager Identification and Certification Form*. Sellers must submit a new Form 905 each time a new Guide Access Manager is designated.

A definition for "Guide Plus Additional Provisions" has been added to the Glossary and the definition of "Purchase Documents" has been amended to include a specific reference to Guide Plus Additional Provisions.

MORTGAGE ELIGIBILITY

Adjustments to appraised values based on financing and/or sales concessions

Section 25.3, *Interested Party Contributions*, has been updated to remove the requirement that, in certain circumstances, Sellers deduct the cost of financing and sales concessions from the appraised value.

Sellers must continue to adhere to the appraisal standards concerning sales concessions as listed in Section 44.3, *General Requirements for Appraisals and Inspections*, and Section 44.15(f).

ADDITIONAL GUIDANCE

Short sale fee reimbursements

We have also updated Section 25.3 to expressly state that interested party contributions used to reimburse the Borrower for payment of short sale negotiation or processing fees (also known as short sale facilitation fees, short sale processing fees, buyer discount fees, or short sale buyer fees) must be considered and treated as sales concessions. These contributions do not meet Freddie Mac's requirements for financing concessions.

Notification of Guide Bulletin publication for Seller/Servicers

In a Single-Family Advisory e-mail dated February 1, 2011, we announced the launch of Freddie Mac's new Single-Family Business News Subscription Center to improve the way you receive important news and information about our single-family selling and Servicing business. Beginning in April 2011, you will start receiving e-mails based on your subscription choices. Unless you have subscribed through our online subscription center, you will no longer receive general Freddie Mac e-mail communications, including notices of Guide updates.

We are updating Sections 1.2 and 50.2, *Legal Effect of the Single-Family Seller/Servicer Guide*, to remind Seller/Servicers that they are required to take appropriate steps to ensure that they receive notification of Bulletin publications. While Seller/Servicers with AllRegs subscriptions may receive notification of Bulletin publications directly from AllRegs, all other Seller/Servicers must take steps to ensure that they subscribe to the appropriate Single-Family Update e-mails, which will notify them of Bulletin publications. A Seller/Servicer's failure to take the appropriate steps to receive notices of Bulletins will not relieve the Seller/Servicer of its legal obligations to comply with the terms of the Bulletins.

The Single-Family Business News Subscription Center can be found at:
www.freddiemac.com/singlefamily/news/subscribe.

Loan-level origination data requirements

Delivery of appraiser's State license number

As required by the Federal Housing Finance Agency (FHFA) and incorporated into Freddie Mac's delivery requirements in Bulletins 2009-27 and 2010-13, Sellers must deliver the appraiser's State license number for all Mortgages with application dates on or after July 1, 2010. In response to Seller inquiries, we are updating Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*, to provide additional instructions with respect to completion of the Appraiser's State License Number field.

If Form 2070, *Loan Prospector Condition and Marketability Report*, is used, Sellers must enter the license number for the appraiser who performed the inspection. If no new appraisal is performed for the Mortgage (for example, the Mortgage is eligible to be delivered with a Property Inspection Alternative (PIA) or is a Freddie Mac Relief Refinance Mortgage – Same Servicer originated under a valuation option that does not require a new appraisal), Sellers should enter "other" in the Appraiser's State License Number field.

Loan Originator and Loan Origination Company identifiers

As noted in a Selling System News e-mail dated February 22, 2011, on January 31, 2011, the Board of Governors of the Federal Reserve System, the Farm Credit Administration, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency and the Office of Thrift Supervision issued a joint press release announcing that the NMLS would begin accepting registrations for federally regulated institutions.

Based on the announcement, mortgage originators employed by federally regulated institutions who are required to be registered under the Secure and Fair Enforcement for Mortgages Licensing Act ("SAFE Mortgage Licensing Act") will be required to register with the NMLS during the initial registration period, which began on January 31, 2011 and will continue through July 29, 2011. In accordance with Bulletin 2010-13, federally regulated institutions must start delivering the loan originator identifier and loan originator company identifier to Freddie Mac for Mortgages with application dates on or after **July 29, 2011**.

State regulated institutions must continue to meet previously announced requirements for delivering these unique identifiers.

Visit **http://www.freddiemac.com/sell/secmktg/new_details.htm** for information about Freddie Mac delivery requirements for FHFA required loan-level origination data.

UNIFORM APPRAISAL DATASET SPECIFICATION UPDATE

In a Single-Family Advisory e-mail dated February 23, 2011, we announced that the UAD Specification has been updated to address issues identified with the required XPaths for mapping the data on the appraisal forms and minor changes to our formatting requirements. These changes are most relevant to Sellers that will be extracting the data from the appraisal report form electronically.

The updated documents are available on **www.freddiemac.com/sell/secmktg/uniform_appraisal.html**.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 1, 12, 17, 25, A34, 35, 37 and 50
- Forms 11, 13SF and 905
- Exhibits 17S and 25
- Glossary

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-5

TO: Freddie Mac Servicers March 23, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making the following changes to our **Servicing requirements**:

- Permitting Servicers to postpone foreclosure sales handled by designated counsel as long as the newly scheduled foreclosure sale date is within Freddie Mac's State foreclosure time lines
- Eliminating the option to foreclose in the name of Mortgage Electronic Registration Systems Inc. (MERS)
- Revising our requirements relating to foreclosure and bankruptcy referrals to:
  - Provide additional details about Servicer's Servicing obligations and expressly prohibit Servicers from charging Freddie Mac, trustees or attorneys for Servicing obligations compensated by the Servicing Spread
  - Add a requirement that prohibits Servicers from contracting, or making arrangements, with attorneys or trustees whereby the Servicer (or its affiliate, service provider, vendor or outsourcing company) receives any financial or other benefits, directly or indirectly, from the attorneys or trustees
  - Add a requirement that prohibits Servicers from requiring attorneys or trustees to use specified vendors, services or products, except for connectivity and invoice processing systems used by the Servicer
  - Prohibit Servicers from allowing service providers, vendors, outsourcing companies, or others to participate in, or influence, the selection of foreclosure counsel and trustees
  - Add new remedies that Freddie Mac may exercise, in its sole discretion, if a Servicer fails to comply with any of the new requirements relating to foreclosure and bankruptcy referrals
- Announcing that we will reimburse Servicers for limited connectivity and invoice processing fees and introducing new expense codes to facilitate the reimbursement of these new reimbursable expenses
- Revising our property preservation requirements by:
  - Introducing a new requirement to obtain an interior property inspection once a property has been determined to be abandoned, and again within 30 days prior to a scheduled foreclosure sale
  - Creating several new expense codes and increasing the expense limits for certain existing expense codes
- Announcing updated requirements for Servicer interaction with state Housing Finance Agencies ("HFAs") regarding unemployment mortgage assistance, subsidy and/or mortgage reinstatement programs

- Revising Form 1132, *Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH)*, to be a fillable form

In addition, we are reminding Servicers that:

- Freddie Mac updates Guide Exhibit 79, *Designated Counsel/Trustee*, to add or remove attorneys from time to time. Servicers are responsible for periodically checking to ensure that they are utilizing the most current version of Exhibit 79.
- Servicers are required to take appropriate steps to ensure that they receive notification of Bulletin publications

Effective dates

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

FORECLOSURE SALE POSTPONEMENTS

In an effort to streamline processes, we have updated the Guide to permit Servicers to postpone foreclosure sales handled by Freddie Mac's designated counsel as long as the newly scheduled foreclosure sale date is within Freddie Mac's State foreclosure time lines specified in Exhibit 83, *Freddie Mac State Foreclosure Time Lines – In Calendar Days*. If, however, the foreclosure sale postponement would result in the Servicer exceeding Freddie Mac's foreclosure time lines, then the Servicer must obtain Freddie Mac's prior written approval to postpone the foreclosure sale. As a result of this change, Servicers will handle foreclosure sale postponements in the same manner, regardless of whether the foreclosure is being handled by designated counsel.

In addition, we have updated the Guide to specify the information we require to evaluate a request to postpone a foreclosure sale.

Guide Section 66.32, *Delays in Completing a Foreclosure*, has been revised to reflect this change.

CONDUCTING A FORECLOSURE ON A MORTGAGE REGISTERED WITH MORTGAGE ELECTRONIC REGISTRATION SYSTEMS INC. (MERS)

We have updated the Guide to eliminate the option for the foreclosure counsel or trustee to conduct a foreclosure in the name of MERS. Effective for Mortgages registered with MERS that are referred to foreclosure on or after **April 1, 2011**, Servicers must prepare an assignment of the Security Instrument from MERS to the Servicer and instruct the foreclosure counsel or trustee to foreclose in the Servicer's name and take title in Freddie Mac's name.

As required in Section 66.17, *Foreclosing in the Servicer's Name*, Servicers must record the prepared assignment where required by State law. State mandated recording fees are not reimbursable by Freddie Mac, are not considered part of the Freddie Mac allowable attorney fees and must not be billed to the Borrower.

Servicers should refer to updated Section 66.17 and Section 66.54, *Vesting the Title and Avoiding Transfer Taxes*, for additional information.

REVISED REQUIREMENTS RELATING TO FORECLOSURE AND BANKRUPTCY ACTIVITIES

Servicer's Servicing obligations

We have updated the Guide to provide additional details about foreclosure- and bankruptcy- related activities that are part of the Servicer's Servicing obligations and compensated through the Servicing Spread. We have also added a provision expressly prohibiting Servicers from charging Freddie Mac, trustees or attorneys for Servicing obligations compensated by the Servicing Spread.

Guide Chapter 54, *Servicing Compensation*, has been revised to reflect these changes.

Prohibitions relating to foreclosure and bankruptcy referrals

Freddie Mac requires that all foreclosure- and bankruptcy- related Servicing obligations be performed in the most effective, efficient and cost-conscious manner in order to preserve Borrower and Freddie Mac interests. Therefore, Freddie Mac has added new Guide Section 54.5, *Prohibitions Relating to Foreclosure and Bankruptcy Referrals; Freddie Mac Remedies for Non-Compliance*, specifically prohibiting Servicers from contracting, or making arrangements, with attorneys or trustees whereby the Servicer (or its affiliate, service provider, vendor or outsourcing company) receives any financial or other benefits, directly or indirectly, from the attorneys or trustees.

This new Guide Section also prohibits Servicers from requiring attorneys or trustees to use specified vendors, services and/or products. However, a Servicer may require an attorney or trustee to use certain connectivity or invoice processing systems, provided that the attorney or trustee is not required to pay for the use of, or access to, such system.

Servicers are also expressly prohibited from allowing service providers, vendors, outsourcing companies, or others to participate in, or influence, the selection of foreclosure counsel and trustees, as specified in the new Guide Section 54.5.

Freddie Mac, at its sole discretion, may exercise remedies for Servicer non-compliance with these new provisions, including, but not limited to, refusing to reimburse the Servicer for attorney and trustee fees or costs, and requiring the Servicer to reimburse the attorney, trustee or Freddie Mac for any prohibited payments or financial benefits received by the Servicer.

NEW REIMBURSABLE EXPENSES: CONNECTIVITY AND INVOICING

We acknowledge that Servicers use various systems in managing their default Servicing operations. To help the Servicer more effectively service Freddie Mac Mortgages, Freddie Mac will reimburse Servicers for limited expenses incurred for their attorneys' and trustees' use of connectivity and/or invoice processing systems.

Effective for all new foreclosure or bankruptcy referrals on or after **April 1, 2011**, Freddie Mac will reimburse Servicers for connectivity and invoice processing for the life of default (i.e., the duration of the foreclosure, including any related bankruptcy referral) as follows:

- New expense code 015000 Connectivity Fee – A maximum of $25 for a new foreclosure or bankruptcy referral for charges associated with an attorney or trustee accessing the Servicer's systems
- New expense code 016000 Invoicing Fee – A maximum of $5 for invoicing charges related to a foreclosure referral and an additional maximum of $5 for invoicing charges related to an associated bankruptcy referral

However, Servicers are reminded of the following:

- The vendor must bill these charges directly to the Servicer, rather than the attorney or trustee, and the Servicer must pay the vendor directly for these charges
- No charges for connectivity or invoice processing may be passed on to the Borrower, the attorney or the trustee

Section 66.25, *Providing Information to the Foreclosure Counsel or Trustee; Servicer's System Connectivity and Invoice Processing*, Section 71.19, *Reimbursement of Fees and Costs Incurred during Legal Proceedings*, Exhibit 57, *1- to 4- Unit Property Approved Expense Amounts*, and Exhibit 74, *Expense and Income Codes for Expense Reimbursement Claims*, have been revised to reflect these changes.

PROPERTY PRESERVATION – PROPERTY INSPECTIONS AND NEW REIMBURSABLE EXPENSES

We have revised our property preservation requirements and reimbursable expense limits for abandoned properties to allow Servicers to complete additional preservation activities without our prior approval, and to encourage proactive preservation and maintenance of abandoned properties. Specifically, we have updated the Guide to:

- Require that on or after **June 1, 2011**, the Servicer perform an interior property inspection on an abandoned property:
  - Upon confirmation that the property has been abandoned; and
  - Within 30 days prior to a scheduled foreclosure sale

  Interior property inspections are reimbursable up to a maximum amount of $20 for each inspection ($40 maximum aggregate amount per property).

  Although the new interior property inspection requirements are not effective until **June 1, 2011,** Servicers are strongly encouraged to begin implementing these changes as soon as possible. The new expense code for the reimbursement of interior property inspections is available immediately.
- Increase the reimbursable amount for exterior property inspections from a maximum aggregate amount of $16 for all required inspections to a maximum amount of $10 for each required exterior property inspection, provided that such inspections are completed within the State foreclosure time lines listed in Exhibit 83. The maximum number of reimbursable exterior property inspections will be limited to the total number of monthly property inspections that can be completed within the State foreclosure time lines set forth in Exhibit 83, regardless of any exception Freddie Mac provides to exceed the State foreclosure time lines.
- Increase the approved expense limits for certain property preservation expenses
- Provide new expense codes and associated expense limits for additional reimbursable property preservation expenses on abandoned properties, including fence repairs, emergency repairs and pre-foreclosure vacant property registration

The newly increased expense limits for property preservation and property inspection, as well as the new expense codes, are effective immediately.

Chapter 52, *Mortgage File Retention*, Chapter 64, *Delinquencies*, Chapter 65, *Loss Mitigation*, Chapter 67, *Adverse Matters*, Chapter 71, *Reimbursement of Expenses – Reimbursement System*, Chapter A71, *Reimbursement of Expenses – Online Reimbursement System*, Exhibit 57 and Exhibit 74 have been revised to reflect these changes.

UPDATES TO REQUIREMENTS FOR SERVICER INTERACTION WITH STATE HOUSING FINANCE AGENCIES' ("HFAs") MORTGAGE ASSISTANCE PROGRAMS

In Bulletin 2010-25, we provided requirements for Servicer interaction with HFAs that provide mortgage assistance to Borrowers through unemployment mortgage assistance, subsidy and/or mortgage reinstatement programs.

With this Bulletin, we are:

- Announcing a revision to documentation requirements
- Providing further guidance on solicitation of Borrowers for participation in HFA mortgage assistance programs
- Revising the timing requirements for Servicer notification of payment changes to HFAs
- Providing a reminder about reporting monthly activity on Mortgages that receive financial assistance through the Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund ("HHF")

- Reminding Servicers that Freddie Mac may, in its sole discretion, revise requirements relating to Servicer participation in HHF programs

Documentation requirements

We have eliminated the requirement for Servicers to obtain from the HFA a copy of any approval letter, note and mortgage or other agreement describing the terms of financial assistance provided to the Borrower. Additionally, Servicers are no longer required to confirm whether the funds provided by the HFA on behalf of the Borrower are in the form of a loan or restricted grant, and whether such loan or grant requires monthly or periodic payments prior to refinance of the Mortgage or sale of the property.

Borrower solicitation

We are clarifying that while generally a Servicer must not directly solicit Borrowers for participation in any HHF mortgage assistance program, the Servicer may do so if the Servicer receives express written consent to perform such solicitation from the HFA.

Servicer notifications to HFA

Bulletin 2010-25 announced that Servicers must notify the HFA of any changes or adjustments to the Borrower's monthly payment amount at least 45 calendar days prior to the change, if the Borrower is receiving assistance under an unemployment mortgage assistance program. We are revising that requirement to provide that alternatively, the Servicer may notify the HFA of such payment changes in accordance with a time frame that is agreed upon in writing between the HFA and the Servicer, as applicable.

Reporting to Freddie Mac

As previously communicated in our Single-Family Advisory e-mail on January 13, 2011, Servicers were required to begin reporting to us by February 1, 2011 on Mortgages receiving assistance under the HHF through the updated *Spreadsheet for Hardest Hit Fund Mortgages* that is located on **http://www.freddiemac.com/singlefamily/service/hfa_relief.html**. The updated spreadsheet provides additional instructions on how and when to use the spreadsheet, including the required format in which the spreadsheet must be submitted.

Reminder – reservation of rights

Servicers are reminded that Freddie Mac has the right, in its sole discretion, to add or modify requirements in connection with Freddie Mac Mortgages and Servicer participation in HHF programs.

CHARGE-OFF RECONCILIATION

Previously, Freddie Mac provided a charge-off form that detailed the amount that Freddie Mac has determined would be charged off in connection with a short payoff, charge-off or third-party sale. As this information is also provided on the Detail Adjustment Report (DAR), we have updated the Guide to direct Servicers to review their DAR for this information. **Effective immediately**, Servicers must report any discrepancies between the DAR and their records to Freddie Mac by submitting new Guide Form 1205, *Charge-off Reconciliation*, within 30 calendar days following Freddie Mac's posting of the amount to the DAR.

Chapter B65, *Workout Options*, Chapter 66, *Foreclosure*, and Directory 5 have been revised to reflect these changes.

UPDATES TO FORM 1132, *AUTHORIZATION FOR AUTOMATIC TRANSFER OF FUNDS THROUGH THE AUTOMATED CLEARING HOUSE (ACH)*

Form 1132 has been revised to be a fillable form for Seller/Servicer convenience. We are also updating the form to remind Seller/Servicers to verify the bank routing and transit number (Part C). There is no need to complete a new form unless ACH instructions change.

REMINDER – NOTIFICATION OF GUIDE BULLETIN PUBLICATION FOR SERVICERS

In a Single-Family Advisory e-mail dated February 1, 2011, we announced the launch of Freddie Mac's new Single-Family Business News Subscription Center to improve the way Servicers receive important news and information about our single-family selling and Servicing business. Beginning in **April 2011**, Servicers will start receiving e-mails based on their subscription choices. Unless a Servicer has subscribed through our online subscription center, the Servicer will no longer receive general Freddie Mac e-mail communications, including notices of Guide updates.

The Single-Family Business News Subscription Center can be found at: **www.freddiemac.com/singlefamily/news/subscribe**.

As announced in Bulletin 2011-4, we have updated Sections 1.2 and 50.2, *Legal Effect of the Single-Family Seller/Servicer Guide*, to remind Servicers that they are required to take appropriate steps to ensure that they receive notification of Bulletin publications. While Servicers with AllRegs® subscriptions may receive notification of Bulletin publications directly from AllRegs, all other Servicers must take steps to ensure that they subscribe to the appropriate Single-Family Update e-mails, which will notify them of Bulletin publications.

A Servicer's failure to take the appropriate steps to receive notices of Bulletins will not relieve the Servicer of its legal obligations to comply with the terms of the Bulletins.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 52, 54, 64, 65, B65, 66, 67, 71 and A71
- Forms 1132 and 1205
- Exhibits 57 and 74
- Directory 5

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management

Bulletin

NUMBER: 2011-6

TO: Freddie Mac Sellers March 29, 2011

SUBJECT: UNIFORM LOAN DELIVERY DATASET UPDATES

In a December 16, 2010 Single-Family Advisory e-mail, we provided updated implementation dates and requirements on the Uniform Mortgage Data Program. With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are updating the Guide to reflect those revised requirements and providing additional information regarding our Uniform Loan Delivery Dataset (ULDD) implementation dates and delivery requirements.

We are also announcing a transition period to help our Sellers as they implement ULDD requirements, and providing additional information for Sellers and Document Custodians about fields required for loan certification.

EFFECTIVE DATES

Bulletins 2010-15 and 2010-18 stated that the delivery requirements based on the MISMO® Version 3.0 Reference Model ("MISMO v3.0") provided in the ULDD would be effective for all Mortgages delivered to Freddie Mac on or after September 1, 2011.

As previously announced on December 16, 2010, we are revising the ULDD effective date to provide Sellers with greater flexibility and to align with effective dates announced in Bulletin 2010-31 for the Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal (UCDP):

- **December 1, 2011** – Sellers must collect the new ULDD data points required for the initial implementation phase ("Phase I implementation") for all Mortgages with applications dated on or after December 1, 2011
- **March 19, 2012** – For all Mortgages delivered to Freddie Mac on or after March 19, 2012, data must be delivered in the MISMO v3.0 format and, if the Mortgage application date is on or after December 1, 2011, the delivery must include the required ULDD data points

Mortgages with applications dated prior to December 1, 2011, that are delivered to Freddie Mac on or after March 19, 2012, must be delivered in the MISMO v3.0 format, but need to include only the data equivalent to what is captured on Guide Form 11, *Mortgage Submission Schedule*, or Form 13SF, *Mortgage Submission Voucher*. Forms 11 and 13SF will be retired for submission and delivery of single-family Mortgages on March 19, 2012.

TRANSITION PERIOD

To assist our Sellers in transitioning to the ULDD requirements, we are announcing a transition period that begins on **January 23, 2012** and ends on **March 19, 2012**. Please note the following:

- The Freddie Mac Selling System ("Selling System") will be updated with the new ULDD-named fields and layout on January 23, 2012
- Sellers that manually enter or modify loan data in the Selling System may continue to do so; however, they must enter the data into ULDD-named fields

- Sellers may import data into the Selling System using either the new MISMO v3.0 format or the Form 11 or Form 13SF file formats, which will be converted automatically into MISMO v3.0 format for delivery in the Selling System
- Data exported out of the Selling System will be in MISMO v3.0 format

Regardless of whether Sellers deliver in the Form 11/13SF or MISMO v3.0 format, the Document Custodian will certify loans based on the ULDD data points using ULDD-named fields. Refer to the section titled "Document Custody Procedures Handbook Revisions Supporting MISMO Changes" in this Bulletin for more information on the fields required for loan certification.

REVISED SCOPE OF DELIVERY REQUIREMENTS

In response to Seller feedback about the scope of the ULDD requirements, the number of data points that will be required in Phase I implementation of the ULDD has been reduced; however, these changes are consistent with the structure and goals of the ULDD.

For Mortgages with applications dated on or after December 1, 2011 that are delivered to Freddie Mac on or after March 19, 2012, the delivery data must include the following Phase I implementation data points:

- The ULDD data points that map to existing delivery requirements (Freddie Mac Form 11 or 13SF and/or Fannie Mae's current datasets)
- 53 additional ULDD data points that are critical for improved loan data quality and investor processing

Note: The remaining ULDD data points that are not required in Phase I implementation will be required in subsequent implementation phases.

Freddie Mac Implementation Guide for Loan Delivery Data

The Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD") comprises the specific requirements for implementing the ULDD components applicable to Mortgages delivered to Freddie Mac, as well as essential reference tools that assist technical developers with creating an Extensible Markup Language (XML) schema file in accordance with MISMO v3.0. The Freddie Mac IG-LD resources are located under the Technical Resources tab on the ULDD page of our web site at **http://www.freddiemac.com/sell/secmktg/uniform_delivery.html**.

Appendix A, *XML Data Requirements, Version 1.0.4,* of the Freddie Mac IG-LD, provides the requirements for submitting Mortgages to the Selling System. Appendix A contains two sets of data requirements:

- Requirements for Mortgages with applications dated before December 1, 2011
- Requirements for Mortgages with applications dated on or after December 1, 2011

To facilitate analysis of the new loan delivery data requirements, Freddie Mac has also provided Appendix D, *Freddie Mac XML Data Requirements Reference Tool*. Appendix D is a sortable, mergeable Excel® document that includes the same list of data points that are in Appendix A.

Appendix A and Appendix D are located under the Technical Resources tab of the ULDD area of our web site.

We strongly recommend that Sellers periodically review the ULDD area of our web site to ensure that they obtain the most current version of the Freddie Mac IG-LD appendices and supporting documentation. To ensure notification of pertinent updates concerning the ULDD, Sellers should visit the Single-Family Business News Subscription Center at **www.freddiemac.com/singlefamily/news/subscribe** and subscribe to the Single-Family Update category of "Sell & Deliver."

DOCUMENT CUSTODY PROCEDURES HANDBOOK REVISIONS SUPPORTING MISMO CHANGES

The Document Custodian will continue to certify Mortgages based on the required data necessary to generate a Form 1034, *Fixed-Rate Custodial Certification Schedule*, or Form 1034A, *ARM Custodial Certification Schedule*. We have revised the Document Custody Procedures Handbook to add information reflecting the ULDD-named fields that will replace the Form 11/13SF data fields required for loan certification. Beginning January 23, 2012, regardless of whether Sellers deliver in the Form 11/13SF or MISMO v3.0 format, the certification will be completed using ULDD data field names.

The updated handbook is available on AllRegs® and at **http://www.freddiemac.com/cim/handbook.html.**

We will update the applicable Forms 1034 to reflect the ULDD changes in a subsequent Bulletin.

REVISIONS TO THE GUIDE

We are updating Guide Section 17.3, *Delivery Requirements for All Mortgages*, to reflect the effective dates for delivering the ULDD data points required for Phase I implementation using MISMO v3.0 loan delivery file formats.

In a subsequent Guide Bulletin, we will update Guide Exhibits 34A, *Special Characteristics Codes Mapped to MISMO Data Points*, and 34B, *Other Delivery Codes Mapped to MISMO Data Points*, to reflect the reduction in scope.

TRAINING AND RESOURCES

Freddie Mac remains committed to providing Sellers with the resources necessary for ULDD implementation. To that goal, we are offering webinar training to help ensure our Sellers have an understanding of the ULDD requirements, implementation guidelines, time lines and available resources. Sellers are urged to enroll in our new webinar, *Get Ready for the Uniform Loan Delivery Dataset*, through Freddie Mac's Learning Center. Information is available at **http://www.FreddieMac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=ULDD.**

Sellers should review the Learning Center web page at **http://www.freddiemac.com/learn/uw/umdp.html** and the ULDD area of our web site at **http://www.freddiemac.com/sell/secmktg/uniform_delivery.html** for additional ULDD training information and resources.

We will make additional tools available in the future to assist Sellers with implementation success.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE, and select Delivery.

Sincerely,

Vice President
Offerings Effectiveness

Industry Letter

To: Freddie Mac Sellers and Servicers April 1, 2011

SUBJECT: ARRANGEMENTS WITH MORTGAGE INSURERS

We understand that Seller/Servicers may have entered into, or are contemplating entering into, an arrangement with a mortgage insurer under which the mortgage insurer agrees not to issue rescission and/or denial of coverage letters to the Seller/Servicer for certain Mortgages owned by Freddie Mac. Under the arrangement, the Seller/Servicer agrees to pay and/or to indemnify the mortgage insurer for certain losses on those Mortgages.

Seller/Servicers are reminded that the Purchase Documents do not permit a Seller/Servicer to enter into any arrangement that affects the Mortgages sold to Freddie Mac in any manner that is not specifically provided for or contemplated by the Purchase Documents.

This letter reminds Seller/Servicers that without Freddie Mac's prior written consent, they are not authorized under the Purchase Documents to enter into any such arrangements.

Seller/Servicers that have entered into, or are considering entering into, any such or similar arrangement must contact their Freddie Mac Account Manager immediately and provide Freddie Mac with a copy of the executed or draft agreement and/or materials relevant to the arrangement with the mortgage insurer.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Bulletin

NUMBER: 2011-7

TO: Freddie Mac Sellers April 14, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making the following changes to our **selling requirements**:

Amendments to Purchase Documents

- Revising the Guide to reflect that Bulletins amending Guide provisions will be effective for all Sellers, including Sellers with Master Agreements and/or Master Commitments, on the date specified by Freddie Mac
- Allowing Freddie Mac to amend, supplement, revise or terminate provisions of a Seller's Master Commitment and/or Master Agreement upon written notice

Mortgage eligibility and credit underwriting

- Amending asset documentation requirements to require a gift letter signed by the donor in all instances when gift funds from a Related Person are used to qualify the Borrower for the Mortgage
- Updating the Guide to reflect the extension of the Freddie Mac Relief Refinance Mortgage^{SM} – Same Servicer and Freddie Mac Relief Refinance Mortgage^{SM} – Open Access offerings

Delivery requirements

- Implementing a Daily Automated Clearing House (ACH) Process for certain fees associated with the sale of Mortgages under the Guarantor or MultiLender Swap programs, under which Freddie Mac will remit such fees to, or draft such fees from, the Seller's designated ACH account on the fifth Business Day after the applicable Freddie Mac Settlement Date, rather than monthly
- Updating Guide references to warehouse lending to reflect financial arrangements between Sellers and Warehouse Lenders
- Removing the Special Mortgage insurance delivery instructions for Triad Guaranty Insurance Corporation in Guide Section B24.4(d) as they are not applicable for Freddie Mac Relief Refinance Mortgages – Open Access

Guide update

- Updating Guide Exhibit 19, *Postsettlement Delivery Fees*, to reflect the loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HTLTV) ratio changes announced in Bulletin 2011-4 and the changes to fees associated with Relief Refinance Mortgages

AMENDMENTS TO PURCHASE DOCUMENTS

Bulletins amending Guide provisions – Effective August 1, 2011

We have revised Sections 1.1, *Overview*, and 1.2, *Legal Effect of the Single-Family Seller/Servicer Guide*, and parallel sections of Guide Chapter 50, *Introduction*, to include language that is similar to language that is currently in Sellers' negotiated provisions. Currently, for Sellers with Master Agreements and/or Master Commitments, Bulletins are effective in accordance with the terms specified in the Seller's Master Agreement. **Effective August 1, 2011**, Bulletins amending Guide provisions will be effective for all Sellers, including Sellers with Master Agreements and/or other negotiated terms, on the date specified by Freddie Mac. Accordingly, we are removing Section 12.13, *Discretionary Provisions*, and Exhibit 26, *Discretionary Provisions*, from the Guide.

A definition for "Bulletin" has also been added to the Glossary and the definition for "Discretionary Provisions" has been removed.

Applicable Guide sections have been revised to reflect the removal of Section 12.13, Exhibit 26 and the Glossary term "Discretionary Provisions."

Master Agreements and Master Commitments – Effective August 1, 2011

Effective August 1, 2011, we have amended and revised Chapter 12, *Master Agreements, Master Commitments and Guide Plus Additional Provisions*. We have restructured Section 12.1, *Master Agreements and Master Commitments*, which explains when Master Agreements and/or Master Commitments become binding, and added a paragraph explaining amendment(s) to Master Agreements and Master Commitments.

In addition, we have added a paragraph to Section 12.3, *Terms of Master Agreements and Master Commitments*, that allows Freddie Mac to amend, supplement, revise or terminate provisions of a Seller's Master Commitment and/or Master Agreement upon written notice. Under this provision, changes to a Seller's Master Commitment and/or Master Agreement will be effective as of the date specified in Freddie Mac's written notice to the Seller, provided that for Sellers with Master Agreements effective before August 1, 2011 that expire after August 1, 2011, the applicable negotiated provisions will remain effective until the expiration date of the Master Agreement.

We have also revised the term "Master Commitment Contract" to "Master Commitment." All applicable references in the Guide have been revised to reflect this change.

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Gift funds documentation requirements – Effective for Mortgages with Settlement Dates on or after August 1, 2011

We are changing the asset documentation requirement that currently allows a Seller to document gift funds from a Related Person on either the Mortgage application or in a gift letter signed by the donor. Effective for Mortgages with Settlement Dates on or after **August 1, 2011**, when gift funds from a Related Person are used to qualify the Borrower for the Mortgage, we are requiring the Seller to obtain and maintain in the Mortgage file a gift letter signed by the donor. Including the donor information on the Mortgage application will no longer be sufficient asset documentation.

Sections 37.22, *Streamlined Accept Documentation Requirements*, and 37.23, *Standard Documentation Requirements*, have been updated to reflect this change.

Freddie Mac Relief Refinance Mortgage offerings extension – Effective immediately

On March 11, 2011, the Federal Housing Finance Agency (FHFA) announced a one-year extension of the Home Affordable Refinance Program (HARP). FHFA also announced that Freddie Mac would exempt HARP mortgages from certain delivery fee rate increases announced in Bulletin 2010-30 that became effective on March 1, 2011.

In accordance with FHFA's recent announcement, we are announcing the extension of the Freddie Mac Relief Refinance Mortgage offerings. The extension of both Freddie Mac Relief Refinance Mortgages – Same Servicer and Freddie Mac Relief Refinance Mortgages – Open Access until June 30, 2012, allows us to continue to provide expanded access to refinancing opportunities for Borrowers who are current on their Mortgage payments and whose homes have declined in value.

We have updated Sections A24.1, *Overview*, and B24.1, *Overview*, to reflect that Freddie Mac Relief Refinance Mortgages – Same Servicer and Freddie Mac Relief Refinance Mortgages – Open Access must now have Note Dates **on or before June 30, 2012.**

Pricing changes related to Freddie Mac Relief Refinance Mortgage extension – Effective July 1, 2011

Effective for Relief Refinance Mortgages with LTV ratios greater than 80% and Freddie Mac Settlement Dates on or after July 1, 2011, we will no longer apply the increases to the Indicator Score/LTV and secondary financing delivery fee rates that went into effect on March 1, 2011. For these Mortgages, we will revert back to the delivery fee rates in effect prior to the rate increases announced in Guide Bulletin 2010-30, which became effective on March 1, 2011.

Exhibit 19 has been updated to reflect these changes.

DELIVERY REQUIREMENTS

Daily Automated Clearing House (ACH) Process – Effective upon conversion, but no later than October 3, 2011

Under Section 17.2, *Provisions for the Payment of Fees and Proceeds and Application of Delivery Fee Credits*, Freddie Mac drafts a Seller-designated ACH account for payment of fees associated with the sale of Mortgages to Freddie Mac.

With this Bulletin, we are announcing the Daily ACH Process, which applies to Guarantor and MultiLender Swap deliveries and will supplement what we will now refer to as the Monthly ACH Process in Section 17.2.

Under the Daily ACH Process, for Mortgages sold under the Guarantor and MultiLender Swap programs, Freddie Mac will remit to or draft from the Seller's designated ACH account on the fifth Business Day after each applicable Settlement Date the net amount of initial postsettlement delivery fees, buyup proceeds and buydown amounts, instead of drafting such funds from, or remitting such funds to, the Seller's ACH account on a monthly basis. The Daily ACH Process is effective for each Seller on the date the Seller converts to the process. All Sellers that sell Mortgages under the Guarantor and MultiLender Swap programs must have completed the transition to the Daily ACH Process no later than **October 3, 2011**.

Section 17.2 has been updated to reflect this supplemental process.

Seller fees that will be drafted under the Daily ACH Process and the Monthly ACH Process are:

- **Daily ACH Process – Fee Types**:
  - Delivery Fees – initial assessments only, not adjustments
  - Buyup Proceeds
  - Buydown Amounts
- **Monthly ACH Process – Fee Types:**
  - Delivery Fee Adjustments
  - Pair Off Fees
  - Gold Rush Fees
  - Yield Maintenance Fees
  - Any Training Fees
  - Other Delivery Fees not assessed at Loan Settlement

Freddie Mac will provide Sellers with a courtesy e-mail notice approximately two Business Days before a Daily ACH draft that will inform Sellers of the ACH draft date and amount. The e-mail will be sent to a designated individual within the Seller's organization. To designate or add an e-mail recipient, Sellers should send a written request to **Freddie_Mac_billing@freddiemac.com**.

To help ensure a smooth transition, we encourage Sellers to adopt Daily ACH during the second quarter of 2011 and to contact their Loan Delivery Representative or call (800) FREDDIE and select Delivery for more information on adoption.

Pre-purchase financing controls – Effective June 1, 2011

Effective **June 1, 2011**, we have revised Form 996, *Warehouse Provider Release and Transfer*, and have added a sample of the Freddie Mac Selling System version of this form, Form 996E, *Warehouse Provider Release and Transfer*, to the Guide. Freddie Mac will no longer accept delivery of these forms from Sellers. The Warehouse Provider will be required to e-mail or fax the form directly to Freddie Mac. In addition, related Guide references to warehouse lending have been revised to reflect the various types of financial arrangements between Sellers and Warehouse Lenders.

Chapter 19, *Warehouse Financing Arrangements*, and Glossary definitions have been updated with this announcement.

Forms 996 and 996E have been updated to include:

- Two new e-mail addresses where scanned copies of the form may be sent
- Language to clarify that the Warehouse Provider is releasing, relinquishing and transferring all right, title and interest in the Mortgages
- Adding the contract number associated with the delivered loans

GUIDE UPDATE

Updates to Exhibit 19

Exhibit 19 has been updated to reflect the reduced maximum LTV, TLTV and HTLTV ratios announced in Bulletin 2011-4 released on March 1, 2011 and to reflect the changes to postsettlement delivery fees (delivery fees) noted above related to fees associated with the extension of the Relief Refinance Mortgage offering. Refer to Exhibit 19 for the applicable effective dates for these changes.

REMINDERS

Anti-predatory lending

Freddie Mac has a long history of promoting responsible lending and combating predatory lending. We require Seller/Servicers to have policies and procedures designed to identify and avoid predatory lending practices. Seller/Servicers should regularly review Freddie Mac's Industry Letter dated February 12, 2009 regarding anti-predatory lending requirements and Section 22.35, *Higher-Priced Mortgage Loans*, to ensure they are complying with our requirements. The Dodd-Frank Wall Street Reform and Consumer Protection Act makes certain mortgage reform changes, including changes to the Home Ownership and Equity Protection Act (HOEPA) definitions and requirements. Freddie Mac will update its anti-predatory lending requirements as appropriate when these changes become effective.

Updates to Form 1132, *Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH)*

In Bulletin 2011-5, we announced that Form 1132 has been revised to be a fillable form for Seller convenience. We have updated the form to remind Sellers to verify the bank routing and transit number (Part C). There is no need to complete a new form unless ACH instructions change.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 1, A1, 8, A9, B9, A10, 11, 12, 13, A13, B15, C15, D15, 17, 19, 22, 24, A24, B24, C33, D33, H33, L33, A34, 37, 42, 44, 50 and 56
- Forms 996 and 996E
- Exhibits 19 and 26
- Glossary

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Delivery.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-8

TO: Freddie Mac Sellers April 29, 2011

SUBJECT: UNIFORM LOAN DELIVERY DATASET EXHIBIT AND RESOURCE UPDATE

With Bulletin 2011-6, we updated the *Single-Family Seller/Servicer Guide* ("Guide") to reflect revised Uniform Loan Delivery Dataset (ULDD) implementation dates and provide additional information about the ULDD data points that will be required for the initial implementation phase ("Phase I implementation") of the ULDD. With this Bulletin, we are updating Guide Exhibit 34A, *Special Characteristics Codes Mapped to ULDD MISMO® Data Points*, and Exhibit 34B, *Other Delivery Codes Mapped to ULDD MISMO® Data Points.* We are also posting updated reference tools to the ULDD area of our web site.

REVISIONS TO THE GUIDE

Exhibits 34A and 34B were published with Bulletin 2010-18 to assist Sellers with adoption of the ULDD and implementation of the ULDD delivery requirements. With this Bulletin, we are updating Exhibits 34A and 34B to reflect how Mortgage characteristics currently captured by delivery of Special Characteristics Codes (SCCs), Feature Codes, Offering Codes and Reference Codes will be captured using the Phase I implementation ULDD data points.

UPDATED RESOURCES

Freddie Mac remains committed to providing Sellers with the resources necessary for ULDD implementation; to that goal, we have posted the following documents on the ULDD area of our web site at **http://www.freddiemac.com/sell/secmktg/uniform_delivery.html**

- Freddie Mac Implementation Guide for Loan Delivery Data Business Summary **– Updated**
- Form 11/13SF Mapping Tool Quick Reference **– New**

We strongly recommend that Sellers periodically review our ULDD web page to ensure that they have the most current version of the Freddie Mac Implementation Guide for Loan Delivery Data, as well as to access other business and technical resources to assist in understanding the ULDD requirements, implementation guidance, and time lines.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE, and select Delivery.

Sincerely,

Laurie A Redmond

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-9

TO: Freddie Mac Servicers May 17, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making the following changes to our **Servicing requirements**:

- Eliminating our requirement that the standard mortgage clause in property insurance policies provide for notice to the mortgagee of any reduction in coverage
- Requiring that all Servicers use the District of Columbia and West Virginia designated counsel for all foreclosure and bankruptcy referrals on Mortgages secured by 2- to 4-unit properties and Manufactured Homes located in those States

We are also clarifying the following requirements related to:

- Short payoff remittances
- The use of data related to Mortgages owned or guaranteed by Freddie Mac

Additionally, we are reminding Servicers that, as part of their Servicing responsibilities under the Guide, they must stay abreast of changes to, and comply with, all applicable laws.

Finally, we are updating the following:

- Guide Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages* and Guide Section 56.3, *Submitting Requests for Transfers of Servicing*, and Section 56.6, *Reporting to Freddie Mac*
- Guide Form 1128, *Loss Mitigation Transmittal Worksheet*
- Directory 5

EFFECTIVE DATES

All of the changes announced in this Bulletin are effective immediately, except:

June 1, 2011 – Use of designated counsel is mandatory for new foreclosure and bankruptcy referrals initiated on and after this date on Mortgages secured by 2- to 4-unit properties and Manufactured Homes located in the District of Columbia and West Virginia.

MORTGAGE CLAUSE NOTICE

Currently, all property insurance policies documenting insurance coverage(s) obtained in accordance with Freddie Mac's requirements for 1- to 4-unit properties must have the insurance industry's standard mortgage clause. Freddie Mac requires that such clause provide that the insurer will notify the named mortgagee at least 10 days before any reduction in coverage or cancellation of the policy.
Effective immediately, we will only require notice of cancellation.

Sections 58.6, *Mortgage Clause*, and 58.7, *Evidence of Insurance*, have been revised to reflect this change.

DESIGNATED COUNSEL FOR DISTRICT OF COLUMBIA AND WEST VIRGINIA

As announced in the March 24, 2011 Single Family Advisory e-mail, we have expanded our Designated Counsel Program to include the District of Columbia and West Virginia.

All Servicers must use the District of Columbia and West Virginia designated counsel for new foreclosure and bankruptcy referrals initiated on or after **June 1, 2011**, on Mortgages secured by 2- to 4-unit properties and Manufactured Homes. Although the requirement goes into effect on June 1, 2011, Servicers may refer new foreclosures and bankruptcies to our District of Columbia and West Virginia designated counsel immediately.

We have revised Sections 66.15, *How to Select Foreclosure Counsel or Trustee*, and 67.15, *Selecting Bankruptcy Counsel*, and Exhibit 57A, *Approved Attorney Fees and Title Expenses*, to reflect this change. Exhibit 79, *Designated Counsel/Trustee*, was updated on March 24, 2011 when we announced the expansion of the Designated Counsel Program.

SHORT PAYOFF REMITTANCE REQUIREMENTS

We are updating Sections B65.41, *Closing, Reporting and Remittance Requirements*, and 78.17, *Short Payoff*, to clarify that Servicers must remit the net proceeds for short payoffs as listed on the HUD-1 Settlement Statement. These proceeds may include cash contributions and the mortgage insurance claim payment if funded at settlement. For any Mortgage in which Freddie Mac has a Percentage of Participation, the remittance must equal Freddie Mac's Percentage of Participation applied to the net proceeds as listed on the HUD-1 Settlement Statement. Servicers may not remit gross proceeds.

In addition, we have updated Sections 78.17 and 78.19, *Charge Off*, to reflect our revised charge-off reconciliation process as announced in Bulletin 2011-5. The revised sections direct Servicers to review the Detail Adjustment Report (DAR) with respect to charge-offs and report any discrepancies to Freddie Mac by submitting Form 1205, *Charge-off Reconciliation*, within 30 calendar days following Freddie Mac's posting of the amount to the DAR. The DAR may be accessed through Investor Accounting Manager℠ at **http://www.freddiemac.com/singlefamily/service/tools.html**.

MORTGAGE DATA OWNERSHIP AND USAGE

Servicers are reminded that all documents in the Mortgage file (including any data in the file) are the property of Freddie Mac. All of the records and Mortgage data in the possession of the Servicer are retained by the Servicer in a custodial capacity only.

With this Bulletin, Freddie Mac is clarifying that, except as expressly authorized by Freddie Mac in writing, Servicers may not use or disclose, or authorize or permit third parties to use or disclose, the records or Mortgage data for any other purpose than those listed in Section 52.5, *The Mortgage File, Mortgage Data and Related Records*.

Section 52.5 has been updated to reflect these requirements.

Servicers should also review Section 53.3, *Confidential Information; Privacy; Conflicts of Interest, Misuse of Material Information; Security of Information* for information regarding confidentiality.

SERVICING IN ACCORDANCE WITH APPLICABLE LAW

Servicers are reminded that they must comply with all applicable federal, State and local laws, ordinances, regulations and orders as described in Section 53.8, *Compliance with Applicable Law*. Various states have recently enacted laws affecting loss mitigation activities including, but not limited to, Cal. Code Civ. Proc. § 580e, restricting the ability of a first lien mortgage holder to request contributions in connection with the approval of short payoffs conducted in that state. Servicers must remain informed as new laws come into effect and adjust their Servicing activities accordingly.

GUIDE UPDATES

Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages* and Section 56.3, *Submitting Requests for Transfers of Servicing*, and Section 56.6, *Reporting to Freddie Mac*

In Bulletin 2011-1, Freddie Mac introduced the Freddie Mac Service Loans application, a web-based interface that will enable Servicers to more easily and efficiently service Freddie Mac-owned Mortgages. In April 2011, Freddie Mac began migrating Servicers to Service Loans.

We have updated Sections 56.3 and 56.6 and Form 981 to delete all references to MIDANET® and to reflect Servicers' use of the Service Loans application to process Subsequent Transfers of Servicing.

Effective immediately, Servicers requesting approval of a Subsequent Transfer of Servicing must use the revised Form 981 whether using MIDANET or the Service Loans application.

We have also updated Chapter 56, *Transfers of Servicing*, with the Glossary terms of "Transferee Servicer" and "Transferor Servicer," where appropriate.

Form 1128, *Loss Mitigation Transmittal Worksheet*

The instructions for completing Form 1128 have been updated to address interest calculations for adjustable-rate Mortgages and principal payments posted to the Borrower's account during the delinquency period. We also have provided examples for calculating interest, and added language to clarify that data entry for line 4 ("Escrow Payment") is optional for settlement purposes.

Directory 5

We have revised Directory 5 to reflect updated contact information. Chapters 66, *Foreclosure*, and 67, *Adverse Matters*, also have been revised to reflect the updated Directory references.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 52, 56, 58, B65, 66, 67 and 78
- Forms 981 and 1128
- Exhibits 57A and 79
- Directory 5

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-10

TO: Freddie Mac Sellers and Servicers May 25, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are updating certain **selling requirements.** We are also updating our **selling and Servicing** requirements regarding Mortgages registered with MERS.

We are providing the following updates to our **selling requirements**:

Mortgage eligibility and credit underwriting

- Revising our requirements to permit the use of eligible Borrower assets as a basis for Mortgage qualification
- Increasing the maximum amount Borrowers may charge to a credit card, or receive from a cash advance or an unsecured line of credit, to pay fees associated with the Mortgage application process to the greater of either 2% of the Mortgage amount or $1,500
- Updating information related to identifying California Condominium Unit Mortgages subject to earthquake insurance requirements

Property eligibility and appraisal requirements

- Aligning our requirements for reviewing appraisal reports and underwriting the property with our current appraisal report forms
- Reinforcing our ongoing support for properties in rural locations by providing additional guidance on underwriting properties in such locations
- Updating our property eligibility requirements to align with the Uniform Appraisal Dataset (UAD)
- Revising the Guide to specify that use of the Uniform Collateral Data Portal SM (UCDP) does not relieve Sellers from compliance with the Guide and Sellers' other Purchase Documents, including requirements related to appraisals and Freddie Mac's Exclusionary List ("Exclusionary List")
- Consolidating and revising certain requirements for Mortgages secured by properties with incomplete improvements, including energy conservation improvements
- Specifying certain Manufactured Home eligibility requirements
- Updating Guide Section 42.9, *Reciprocal Project Reviews*, to make references to sections that contain Seller warranties required for Established Condominium Projects and New Condominium Projects

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Assets as a basis for Mortgage qualification

We are updating the Guide to provide an avenue for Borrowers with unrestricted access to eligible assets to utilize those assets to qualify for a Mortgage. The Borrower(s) must not currently be using the eligible assets as a source of income. Established income channels (e.g., dividends and interest, retirement benefits, Social Security and pension) are currently eligible in the Guide as sources of income and are separate from this provision.

Sellers are expected and encouraged to make their reasonable best efforts to ensure Borrower awareness and acknowledgement of the reliance upon eligible assets and the resulting calculations based on those assets that support the Borrower's qualification for the Mortgage.

The eligible assets and the monthly amount used for Mortgage qualification need to be clearly outlined in the appropriate areas of the fully executed Guide Form 65, *Uniform Residential Loan Application*.

Refer to Guide Chapter 37, *Underwriting the Borrower*, and Section 37.13, *Stable Monthly Income and Asset Qualification Sources*, for complete eligibility requirements. Refer to Sections 37.22, *Streamlined Accept Documentation Requirements*, and 37.23, *Standard Documentation Requirements*, for complete documentation requirements.

Loan Prospector®

Loan Prospector will not be updated to recognize the underwriting and eligibility requirements, and therefore, Sellers must ensure that the eligibility and underwriting requirements are manually applied.

Mortgage data delivery requirements: Special Characteristics Code

All Mortgages delivered using the assets as a basis for Mortgage qualification requirements described in Chapter 37 require the Special Characteristics Code (SCC) "H31" on Form 11, *Mortgage Submission Schedule*, or Form 13SF, *Mortgage Submission Voucher*, as applicable.

We have added new Section 17.46, *Assets as a Basis for Mortgage Qualification*, to provide specific delivery requirements.

Chapter 37, Forms 11 and 13SF, and Guide Exhibit 34A, *Special Characteristics Codes Mapped to ULDD MISMO® Data Points*, have been amended to reflect this change.

Use of credit cards, cash advances and unsecured lines of credit to pay Mortgage application fees

We are updating the Guide to increase the maximum amount that a Borrower may charge to a credit card or receive from a cash advance or unsecured line of credit to pay fees associated with the Mortgage application process. Effective immediately, the maximum amount charged or advanced is increased from 1% of the Mortgage amount to the greater of 2% of the Mortgage amount or $1,500.

Additionally, we have deleted the provision limiting the maximum amount charged or advanced for appraisal and credit reports.

Section 26.6.4, *Credit Card Charges, Cash Advances or Unsecured Line of Credit*, has been updated to reflect these changes.

Earthquake insurance requirement

Seller/Servicers will no longer be able to obtain a copy of the Risk Management Solutions, Inc. Earthquake Insurance Requirements Matrix or the zip code list by calling (800) FREDDIE. However, a Seller/Servicer may continue to call (800) FREDDIE and provide the zip code and building characteristics of an individual property to obtain information regarding the Condominium Project's earthquake insurance requirement.

Section 58.3.1, *Earthquake Insurance*, has been updated to reflect this change.

PROPERTY ELIGIBILITY AND APPRAISAL REQUIREMENTS

Property underwriting and appraisal review requirements

Effective for Mortgages with Settlement Dates on or after **September 1, 2011,** we are updating Chapter 44, *Appraisals, Inspections and the Property Inspection Alternative*, to align our requirements for reviewing the appraisal report and underwriting the property with current appraisal report forms. We are also revising Section 44.15(c), *Neighborhood Section*, to reinforce Freddie Mac's commitment to purchase eligible Mortgages in all neighborhoods and market areas, and in particular, to provide additional guidance on underwriting properties in rural locations.

In addition, we are updating Section 44.2, *General Property Eligibility Requirements*, to remind Sellers that they are responsible for placing as much emphasis on the adequacy of the property as collateral as on underwriting the Borrower's creditworthiness.

Changes relating to implementation of the Uniform Appraisal Dataset

Effective for appraisals with effective dates on or after **September 1, 2011**, we are updating Chapter 44 to provide additional information related to properties with certain conditions or quality of construction issues. Specifically, we are revising Section 44.15(e), *Property Description and Analysis*, to specify that a Mortgage secured by a property with a UAD condition rating of C5 or C6, or a UAD quality rating of Q6, is eligible for delivery to Freddie Mac only if all issues that caused the property to be rated as such are cured prior to delivery of the Mortgage to Freddie Mac.

As a reminder, for appraisals with effective dates on or after **September 1, 2011**, Freddie Mac appraisal report Forms 70, 465, 466 and 2055 must be completed using the UAD when reporting results of an appraisal for a conventional Mortgage, as specified in Section 44.20, *Appraisal Data and Delivery*.

Effective for conventional Mortgages that require appraisal reports and have Delivery Dates on or after **March 19, 2012**, we are requiring all appraisal photographs to be in color and eliminating the acceptability of facsimile copies of appraisal reports. Sections 44.12, *Required Exhibits and Addenda*, and 44.21, *Electronic Transmission of Appraisal and Inspection Reports*, have been updated to reflect these changes.

Uniform Collateral Data Portal requirements – Effective for all Mortgages with appraisals submitted to the UCDP

As announced in a Single-Family Update e-mail on April 12, 2011, the UCDP will be available for use on **June 27, 2011**.

For all Mortgages with appraisals submitted to the UCDP:

- The submission of appraisal report forms to the UCDP does not relieve the Seller from compliance with Freddie Mac appraisal requirements and does not affect Seller representations and warranties regarding appraisals and the Mortgaged Premises
- The Seller's ability to select a lender's agent or other party such as an appraisal management company in connection with the use of the UCDP does not constitute Freddie Mac's endorsement or approval of such party and does not relieve a Seller of any obligations pursuant to the Guide or the Seller's other Purchase Documents, including the requirements in Section 2.24, *Freddie Mac Exclusionary List*, related to the Exclusionary List

Section 44.20 has been updated to reflect the language above. Note that this language is applicable to all appraisals submitted to the UCDP, including those that are submitted prior to the future effective date of the Guide section, March 19, 2012.

Mortgages delivered to Freddie Mac prior to completion of improvements, including energy conservation improvements – Effective for Mortgages with Settlement Dates on or after September 1, 2011

We are consolidating requirements for Mortgages delivered to Freddie Mac prior to completion of improvements. As a result, requirements for Mortgages secured by properties with incomplete energy conservation improvements are being removed from Section 23.8(b), and are being incorporated into Section 44.2(b). In addition, certain requirements in Section 44.2(b) are being revised.

Manufactured Home eligibility

We are revising the Guide to include the following eligibility requirements for Mortgages secured by Manufactured Homes:

- A Mortgage secured by a Manufactured Home that was previously occupied or installed on a permanent foundation, and later moved, is ineligible for purchase by Freddie Mac
- Regardless of any structural modifications or add-ons, if any portion of a 1-unit dwelling is a Manufactured Home, the Mortgage must meet the requirements of Chapter H33, *Manufactured Homes*, and be delivered as a Mortgage secured by a Manufactured Home

Sections H33.2, *Property Eligibility*, and H33.3, *General Eligibility Requirements*, have been updated to reflect these additions.

Reciprocal project reviews

We are updating Section 42.9 to incorporate references to the specific Seller warranties required when selling Mortgages secured by Condominium Units in Fannie Mae accepted projects, as follows:

- For Established Condominium Projects, Sellers must refer to Section 42.5(e)
- For New Condominium Projects, Sellers must refer to Section 42.6(e)

SELLING AND SERVICING REQUIREMENTS

MERS requirements

We are revising the Guide to address certain Seller/Servicer responsibilites related to Mortgages registered with MERS.

A Seller/Servicer, as applicable, must comply with the following requirements:

- A Servicer must promptly notify Freddie Mac upon any termination of its MERS membership, whether voluntary or involuntary. For each MERS-registered Mortgage being serviced for Freddie Mac and promptly upon such termination, the Servicer must prepare an assignment of the Mortgage from MERS to itself, have the assignment executed and, where required by law, record the executed assignment in the public land records.
- A Seller/Servicer that chooses to register a Mortgage with MERS must use reasonable best efforts to register such Mortgage prior to delivery to Freddie Mac
- A Servicer, upon the deactivation of a Mortgage from MERS, must prepare an assignment of the deactivated Mortgage from MERS to itself, have the assignment executed and, where required by law, record the executed assignment in the public land records
- A Seller must warrant that MERS is the mortgagee of record (either by being named in the Security Instrument as nominee for the Seller, or by being named as the assignee in a recorded assignment of the Security Instrument), or where applicable, that MERS is not the mortgagee of record for purposes of iRegistration
- A Seller must ensure that the MIN is delivered to Freddie Mac along with all Mortgage data and other information required by the Purchase Documents, and the MIN must be further indicated on the Security Instrument and related documents
- A Seller/Servicer must provide its Document Custodian with sufficient information to enable a Transferor Servicer and Freddie Mac to determine whether a Mortgage that is included in a Subsequent Transfer of Servicing is registered with MERS at the time of the Transfer of Servicing

Sections 4.14, *MERS Membership*, 6.11, *Warranties and Representations by the Seller*, 16.8, *Completion of Delivery*, and 22.13, *Execution, Acknowledgment and Recordation of the Security Instrument*, have been updated to reflect these changes.

CORRECTION

We are revising Section 2.2.1(k), *Submission/Resubmission Requirements*, to add a clause that was inadvertently omitted from that section. If the Borrower's income increases prior to the closing of the Mortgage, resubmission to Loan Prospector is not required, except when the Mortgage is a Home Possible® Mortgage.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 4, 6, 16, 17, 22, 23, 26, H33, 37, 42, 44 and 58
- Forms 11 and 13SF
- Exhibit 34A

TRAINING

Webinar training is available on the credit requirements announced in this Bulletin in a course titled **Overview of Recent Guide Bulletin Changes**. To register for the course, access **freddiemac.com**, select **The Learning Center** under the **Single-Family** tab, and then **Learning Center and Guide Updates** under the **Special Resources** section.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-11

TO: Freddie Mac Servicers June 30, 2011

SUBJECT: SERVICING ALIGNMENT INITIATIVE AND HAWAII LEGISLATIVE CHANGES AFFECTING NON-JUDICIAL FORECLOSURES

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing the Servicing Alignment Initiative, which is Freddie Mac's implementation of new Servicing requirements to streamline and simplify Servicing processes, help Servicers contact delinquent Borrowers more effectively, and determine eligibility for and offer alternatives to foreclosure to distressed homeowners. Freddie Mac is adopting these changes as part of its implementation of the consistent mortgage servicing and delinquency management requirements that are described in the Federal Housing Finance Agency's (FHFA) April 28, 2011 directive to Fannie Mae and Freddie Mac.

Additionally, we are providing specific requirements with regards to the processing of foreclosures in the State of Hawaii due to recent changes in Hawaii State law.

SERVICING ALIGNMENT INITIATIVE

Overview

The new Servicing requirements address solicitation of delinquent Borrowers and evaluation of all Borrowers for each of the alternatives to foreclosure that we offer. New Borrower communications, solicitation and evaluation requirements apply to all alternatives to foreclosure offered under the Guide, including the Home Affordable Modification Program (HAMP) and the Home Affordable Foreclosure Alternatives (HAFA) initiative. Servicers must implement processes and procedures that will assist them in their efforts to complete relief or workout options more expeditiously, and work to reduce the number of Mortgages that will ultimately result in foreclosure.

Additionally, as part of the Servicing Alignment Initiative, in a future Bulletin, Freddie Mac will announce a new modification solution, the Freddie Mac Standard Modification. The Freddie Mac Standard Modification will include a three-month trial period, and eligibility and underwriting requirements that target Borrowers who are ineligible for HAMP or Borrowers who defaulted on previous HAMP or non-HAMP modifications. The Freddie Mac Standard Modification will eventually replace the current modification solution prescribed in Guide Chapter B65, *Workout Options*. In the interim, Servicers must continue evaluating Borrowers who are ineligible for HAMP using the modification requirements specified in Chapter B65 and their other applicable Purchase Documents.

With this Bulletin, we are announcing specific changes to our Servicing requirements in the following areas:

Borrower contact

- New requirements related to establishing quality right party contact and performance standards related to the Servicer's ability to establish quality right party contact

- Revised requirements related to collection efforts, including new call center and contact performance standards and requirements related to the breach letter and late payment notice
- Revised solicitation process, including the timing and scope of required Borrower solicitation and the specific solicitation documentation that must be used
- Revised Servicer evaluation standards, incentives and fees related to Borrower response rates and the successful transition of delinquent Borrowers into alternatives to foreclosure

Delinquency management

- Revised requirements related to the Borrower communication and evaluation process
- Revised requirements and restrictions related to the Servicer's initiation of foreclosure during the evaluation of the Borrower for an alternative to foreclosure
- Requirements for Servicers to review the Mortgage at specific times before and during the foreclosure process to ensure that there is no approved payment arrangement or pending alternative to foreclosure offer
- Requirements for Servicers to provide foreclosure certification to the attorney/trustee at least seven, but no more than 15 days, prior to the foreclosure sale date for all Mortgages that are scheduled for a foreclosure sale
- Revised property inspection requirements

Income, hardship and other documentation requirements

- Revised and standardized income and hardship documentation requirements applicable to both HAMP and non-HAMP modification solutions under the Guide
- Requirements for identifying the contents of a complete Borrower Response Package for a workout and certain relief options

State foreclosure time lines and related compensatory fees

- Revised State foreclosure time lines and permitting additional time for standard allowable delays beyond the control of the Servicer
- Revised State foreclosure time line compensatory fee assessment and billing to reinforce compliance with State foreclosure time lines from the Due Date of Last Paid Installment (DDLPI) through the foreclosure sale date

Escalated cases

- New requirements related to Servicer processes for reviewing and responding to Borrower complaints or disputes that rise to the level of an escalated case

EFFECTIVE DATES

All of the changes related to the Servicing Alignment Initiative are effective on **October 1, 2011**, unless otherwise noted.

BORROWER CONTACT REQUIREMENTS

Quality right party contact

We have updated Guide Section 64.4, *Establishing Borrower Contact*, to redefine what constitutes successful right party contact and introduce the concept of "quality right party contact." Quality right party contact occurs when a Servicer establishes a rapport with the Borrower, and expresses empathy and a desire to help identify and discuss the most appropriate options for Delinquency resolution with the Borrower, co-Borrower or trusted advisor, such as a housing counselor. A Servicer's objective in contacting a delinquent Borrower is to establish quality right party contact.

A Servicer must make every attempt to achieve quality right party contact by:

- Determining the reason for the Delinquency and whether the reason is temporary or permanent in nature
- Determining whether or not the Borrower has vacated or plans to vacate the property
- Determining the Borrower's current perception of his or her financial circumstances and ability to repay the Mortgage debt
- Setting payment expectations and educating the Borrower on the availability of alternatives to foreclosure as appropriate
- Obtaining a commitment from the Borrower to either resolve the Delinquency through traditional methods (paying the total delinquent amount) or engaging in an alternative to foreclosure solution

Freddie Mac will measure a Servicer's effectiveness in achieving quality right party contact. In its efforts to contact Borrowers, a Servicer must strive to achieve a quality right party contact benchmark of at least 60% for its population of Borrowers who are 120 days delinquent. Refer to Section 65.8, *Performance Standards*, for more information regarding this performance standard and related reporting requirements.

Collection efforts

We have updated Section 64.5, *Collection Efforts*, to provide the minimum collection efforts required to bring a delinquent Mortgage current. To the extent that a Servicer has not already set up Automated Clearing House (ACH) payment arrangements or established other arrangements to cure the Delinquency, the Servicer must initiate telephone contact with each delinquent Borrower between the third and 36th day of Delinquency.

Telephone calls must continue at least every third day until quality right party contact is achieved and the Servicer determines that the Borrower does not intend to pursue an alternative to foreclosure, the Delinquency is cured, complete Borrower Response Package is received to evaluate the Borrower for an alternative to foreclosure or the Borrower enters into a repayment or forbearance agreement with the Servicer.

The Servicer must tailor its calling campaigns appropriately based on the risk characteristics of the Mortgage, each Borrower's level of Delinquency, previous payment habits and the minimum contact requirements set forth in Section 64.5.

Attempts to contact a delinquent Borrower must continue throughout the foreclosure process for a judicial foreclosure sale, up to 60 days prior to a foreclosure sale date, and for a non-judicial foreclosure sale, up to 30 days prior to a foreclosure sale date, unless:

- The Servicer established quality right party contact with the Borrower and determined the Borrower does not intend to pursue an alternative to foreclosure; or
- The Servicer previously evaluated the Borrower for all alternatives to foreclosure and determined foreclosure is the appropriate course of action

Call center performance standards

We have updated Section 65.8 to require that Servicers maintaining call centers meet the following minimum call center and other contact performance standards:

- Average speed to answer a telephone call of 60 seconds or less
- 5% or less telephone call Abandon Rate
- 1% or less telephone call Blockage Rate
- Average time for a live operator to respond to e-mails of 48 hours or less after receipt (automated responses not included)
- Live operator chat response times of five minutes or less between chats

Servicers that maintain a call center must maintain data related to the performance standards described above, and must make the data available to Freddie Mac upon request.

Breach letter requirements and late payment notice

We currently require Servicers to send a breach letter (also referred to as the "notice of acceleration" or "demand letter") to a Borrower no later than the 60th day of Delinquency if the Mortgage does not have satisfactory payment arrangements. With this Bulletin, we are revising the Guide to require that if State law requires the breach letter to be sent prior to the 60th day of Delinquency in order to be able to refer the Mortgage to foreclosure by the 120th day of Delinquency, the Servicer must send the breach letter by the earlier date.

If the Servicer determines the property is vacant or abandoned pursuant to Section 65.35, *What is an Abandoned Property?*, the Servicer must:

- Issue a breach letter within 10 days of the determination, provided the Mortgage is more than 30 days delinquent and, in any case, no later than the 60th day of Delinquency; and
- Refer the Mortgage to foreclosure upon expiration of the breach letter, unless the Servicer establishes quality right party contact with the Borrower to resolve the Delinquency. Even if quality right party contact is established, the Mortgage must be referred to foreclosure no later than the 120th day of Delinquency unless one of the exceptions to postpone foreclosure referral applies as described in Section 66.9.1, *When to Initiate Foreclosure on a First-Lien or a Second Mortgage/Home Improvement Loan (HIL)*.

We have revised the time frame during which the late notices/payment reminders must be sent to the Borrower from between the 11th and 13th day of Delinquency to no later than the 17th day of Delinquency.

Servicers must review the requirements of Section 64.5 for complete Borrower contact requirements and minimum collection efforts.

Solicitation

We have revised our solicitation requirements to require Servicers to solicit every Borrower who is 31 days or more delinquent for an alternative to foreclosure. Servicers must send a solicitation letter to Borrowers between the **31st and 35th day of Delinquency**, and again between the **61st and 65th day of Delinquency**, if the Servicer has not achieved quality right party contact and determined that the Borrower does not intend to pursue an alternative to foreclosure or the Borrower did not respond to the initial solicitation. The Servicer must provide in its solicitation letter the specific date by which the Borrower must respond with required information and documentation ("Borrower Response Package"), which must be 30 days from the date the solicitation letter was sent. In the event the 30th day falls on a non-Business Day, the Servicer may specify the following Business Day as the date by which the Borrower must respond.

Additionally, once a Mortgage has been referred to foreclosure, Servicers must instruct the foreclosure attorney/trustee to send a post-referral to foreclosure solicitation letter to the Borrower. This solicitation letter must be sent within **five Business Days following a foreclosure referral but no later than the 125th day of Delinquency**. The attorney/trustee may, but is not required to, include the contents of the Borrower Solicitation Package as described below under "Solicitation documents" with its post-referral to foreclosure solicitation letter to the Borrower.

Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication,* has been revised to include the hierarchy in which Servicers must evaluate a Borrower for all alternatives to foreclosure and now sets forth all related requirements for solicitation including the required contents of the solicitation letters.

Solicitation documents

To simplify the solicitation process, we are introducing new financial information, hardship and Borrower certification form, Guide Form 710, *Uniform Borrower Assistance Form*. A completed Form 710, or a Servicer customized equivalent, must be used for certain alternatives to foreclosure, including HAMP and HAFA, where such form is required. We are also providing sample solicitation templates that a Servicer may use to solicit Borrowers for all alternatives to foreclosure. Use of the new forms and solicitation requirements become effective for all new evaluations for an alternative to foreclosure conducted on or after **October 1, 2011**. Servicers should implement the new forms and solicitation requirements prior to October 1, 2011 in order to ensure that evaluations conducted on or after October 1, 2011 are in accordance with this requirement.

The new forms and solicitation templates are also available for download at: **http://www.freddiemac.com/singlefamily/service/solicitation_docs.html**.

- **Uniform Borrower Assistance Form**: A completed Form 710 will provide the Servicer with a Borrower's financial information, including the reasons for the Borrower's financial hardship. The form also includes a request for income and hardship documentation that may be necessary to complete an evaluation of the Borrower for an alternative to foreclosure. The new Form 710 replaces Form 1126, *Borrower Financial Information*, Form 1114, *Making Home Affordable Request for Modification and Affidavit* ("RMA"), and Form 1115, *Making Home Affordable Hardship Affidavit*. Servicers may send the Borrower a customized equivalent of Form 710 provided that it requests the same financial information, hardship affidavit and attestations from the Borrower. However, if a Servicer receives Form 710 rather than its customized equivalent, the Servicer must accept Form 710. Throughout this Bulletin, any references to Form 710 are used to indicate both Form 710 and a Servicer's customized equivalent of Form 710.

- **HAMP Government Monitoring Data Form**: When soliciting Borrowers for an alternative to foreclosure in accordance with Section 64.6, Servicers must include new Form 710A, *HAMP Government Monitoring Data Form*, in the Borrower Solicitation Package for only those Borrowers who the Servicer determines are HAMP-eligible (e.g., loan originated prior to January 1, 2009, owner-occupied, etc.). The Borrower is not required to provide data requested on Form 710A. Servicers must accept and process Form 710 even if the Borrower did not furnish or fully complete Form 710A. Refer to Sections C65.2, *HAMP Documentation*, and C65.13(b) for additional requirements related to Government Monitoring Data. Refer to Section C65.4, *Eligibility*, for HAMP Borrower eligibility requirements.

- **Solicitation templates – Pre-referral to foreclosure:** New solicitation templates, Guide Exhibit 1131, *Borrower Solicitation Letter – 31 Days Delinquent*, and Exhibit 1161, *Borrower Solicitation Letter – 61 Days Delinquent*, represent the information that must be sent to Borrowers who are 31 days or more delinquent and 61 days or more delinquent to inform the Borrowers of all alternatives to foreclosure and the required documentation that must be submitted to a Servicer in order to be evaluated for an alternative to foreclosure. The new solicitation templates replace existing HAMP solicitation documents (Form 1120, *HAMP Proactive Solicitation Letter*, and Form 1121, *Documentation Request Letter*). Use of the solicitation templates is optional; however, they illustrate the level of specificity that is deemed to be in compliance with the requirements of Section 64.6.

  The contents of Exhibits 1131 and 1161 include:

  - A cover letter that describes the contents of the Borrower Solicitation Package
  - A homeowner checklist that explains the steps a Borrower must follow to request consideration for an alternative to foreclosure and provides guidance on completing the documents that need to be returned to the Servicer

- ❑ Information on avoiding foreclosure to help Borrowers understand the options they may have to either stay in or leave their home, and avoid foreclosure
- ❑ Frequently asked questions regarding the Borrower Solicitation Package and evaluation process
- ❑ Foreclosure scam notice that includes tips to avoid and how to report scams

The Borrower Solicitation Package consists of the following documents:

- ❑ Exhibit 1131, *Borrower Solicitation Letter – 31 Days Delinquent* – Sent to Borrowers between the 31st and 35th day of Delinquency; or
- ❑ Exhibit 1161, *Borrower Solicitation Letter – 61 Days Delinquent* – Sent to Borrowers between the 61st and 65th day of Delinquency;

And

- ❑ Uniform Borrower Assistance Form (Form 710 (6/11)); and
- ❑ Internal Revenue Service (IRS) Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript*. Servicers may obtain IRS Form 4506T-EZ directly from the IRS web site at **http://www.irs.gov**

- **Solicitation template – Post-referral to foreclosure:** New Exhibit 94, *Post-Referral to Foreclosure Solicitation Letter*, represents the model post-referral to foreclosure solicitation letter that must be sent to Borrowers by the foreclosure attorney/trustee within five Business Days of a foreclosure referral but no later than the 125th day of Delinquency. The attorney/trustee may include Form 710, IRS Form 4506T-EZ and the following contents of Exhibit 1131, provided it is amended, as necessary, to ensure accuracy:
  - ❑ The homeowner checklist
  - ❑ Information on avoiding foreclosure
  - ❑ Frequently asked questions
  - ❑ Foreclosure scam notice that includes tips to avoid and how to report scams

With the exception of IRS Form 4506T-EZ and IRS Form 4506-T, *Request for Transcript of Tax Return*, electronic transmission and completion of the Borrower Response Package is permitted in accordance with the requirements of Section 50.3.1, *Acknowledgement and Consent to Electronic Transactions*, and Section 64.6(e). However, if permitted by and subject to IRS requirements, electronic submission of the IRS Form 4506T-EZ or IRS Form 4506-T is permitted as if it is a loss mitigation document in accordance with the requirements of Section 50.3.1 and Section 64.6(e). (IRS Form 4506T-EZ or IRS Form 4506-T may only be considered a loss mitigation document for purposes of Section 50.3.1 and Section 64.6(e) if either of those forms is received from the Borrower in a manner that permits the Servicer to submit it to the IRS in strict compliance with the IRS instructions and any other applicable IRS requirements.)

Use of the Freddie Mac and Making Home Affordable logos

Servicers must not use the Freddie Mac logo or the Making Home Affordable logo on the new solicitation documents described above. Additionally, **effective October 1, 2011**, Servicers must no longer add the Freddie Mac logo or the Making Home Affordable logo to envelopes, letters or packages, including the following documents, unless such logos are already included in the document as provided by Freddie Mac:

- HAMP Counseling Referral Letter (Form 1119)
- HAMP Agreement Cover Letter (Form 1118)
- HAFA Short Sale Agreement (Form 1135)
- HAFA Request for Approval of Short Sale (Form 1136)
- HAFA Approval of Short Sale (Form 1137)
- HAFA Disapproval of Short Sale (Form 1138)
- HAFA Deed-in-Lieu Agreement (Form 1139)

Borrower Response Package incentives and compensatory fees

Freddie Mac will measure a Servicer's efforts to obtain complete Borrower Response Packages for Borrowers who are reported as 60 days delinquent, as detailed in Section 64.6. If the Servicer is conducting the HAMP imminent default evaluation pursuant to Section C65.5.2, *Determining Imminent Default*, a complete Borrower Response Package includes any additional hardship documentation that may be required as part of that evaluation.

Incentives and compensatory fees

The following describes the details of the measurement for the complete Borrower Response Package and Delinquency improvement performance standard.

Topic	**Measurement**
Delinquent Borrower Population	The number of Borrowers who become 60 days delinquent ("Delinquent Borrower Population") at the beginning of a month ("Start Date") *Excludes Borrowers in bankruptcy (including a bankruptcy filed after the Start Date)*
Collection period	Six months from Start Date
Borrower Response Population	The number of Borrowers in the Delinquent Borrower Population who have delivered complete Borrower Response Packages by, or who are current or less than 60 days delinquent at, the end of the collection period ("Borrower Response Population") *Excludes delinquent Borrowers in bankruptcy (including a bankruptcy filed after the Start Date)*
Performance Measurement	Borrower Response Population divided by the Delinquent Borrower Population ("Performance Measurement")
Minimum benchmark	The Performance Measurement is 50%
Incentive benchmark	The Performance Measurement is greater than or equal to 60%

Servicers with a Performance Measurement that meets the incentive benchmark will receive an incentive in the amount of $500 for each complete Borrower Response Package received from a Borrower in the Delinquent Borrower Population prior to or during the six-month collection period.

Alternatively, Servicers that fail to meet the 50% minimum benchmark will be assessed a $500 fee for the number of additional complete Borrower Response Packages that the Servicer would have needed to collect from Borrowers in the Delinquent Borrower Population in order to meet the minimum benchmark.

A compensatory fee will not be assessed nor will an incentive be paid if the Servicer's Performance Measurement achieves the minimum benchmark but does not achieve the incentive benchmark.

Reporting

A Servicer must notify Freddie Mac via an Electronic Default Reporting (EDR) transmission within the first three Business Days of the month following the month that it received a complete Borrower Response Package from a Borrower.

Effective October 1, 2011, Servicers must report default action code H5 to report receipt of a complete Borrower Response Package for each Mortgage that a complete Borrower Response Package was received in the month following the month that the Borrower Response Package was received. Default action code H5 will no longer be used to report a positive solicitation response for HAMP-eligible Mortgages, and Servicers must no longer use the H5 code for this purpose.

Incentive payments or compensatory fees assessed for this Performance Measurement will be reflected in a Servicer's monthly Servicer Non-Performing Loans Invoice beginning in April 2012.

Section 65.8 has been updated to reflect this new performance standard.

Alternative to foreclosure pull-through measurement

Servicers will be measured on their ability to successfully transition newly 60-day delinquent Borrowers into an alternative to foreclosure in a given quarter. At a minimum, Servicers must achieve at least a 60% alternative to foreclosure pull-through rate, measured as follows:

Alternatives to foreclosure in the current quarter divided by the prior quarter's new 60-day delinquent Borrower inflows

Reinstatements, forbearance plans, repayment plans, Trial Period Plans, payoffs, modifications, short payoffs and deeds-in-lieu of foreclosure are included in this performance standard. Loans in bankruptcy are excluded from this measurement.

Section 65.8 has been updated to reflect this new performance standard.

DELINQUENCY MANAGEMENT

Borrower communication and evaluation process

The new solicitation process requires that the Borrower submit to the Servicer all required documentation needed to conduct an evaluation of the Borrower for all alternatives to foreclosure offered in the Guide. A Servicer must review the Borrower for all alternatives to foreclosure, including HAMP, in accordance with the evaluation hierarchy set forth in Section 64.6(a). If the Servicer determines the Borrower is not eligible for an alternative to foreclosure, the Servicer must send the Borrower the appropriate Borrower Evaluation Notice (i.e., Non-Approval, Capacity to Pay Your Mortgage Letter or Non-Approval, Proceed to, or Continue with, Foreclosure) in accordance with the requirements of Section 64.6(d).

Servicers are currently required to provide specific communications during specific time frames to HAMP-eligible Borrowers relaying certain actions during the evaluation process, such as a non-approval notice or an incomplete information notice. We are revising our requirements to state that Servicers must provide the following notices during specified time frames to all Borrowers being evaluated for an alternative to foreclosure, whether or not the Borrowers are HAMP-eligible. Section 64.6(d) outlines the required contents for each notice described below:

- **Acknowledgement of a Borrower Response Package**

  Servicers must acknowledge to the Borrower receipt of the Borrower Response Package within **three Business Days** of receipt from the Borrower, regardless of whether the package is complete or incomplete. This acknowledgement of receipt may be completed verbally. Section 64.6(d) sets forth the requirements for the information that must be conveyed to the Borrower when acknowledging receipt of the Borrower Response Package.

- **Incomplete information notice**

  The Servicer must send an incomplete information notice to the Borrower no later than **five Business Days** from receipt of an incomplete package. The Servicer may send the incomplete information notice to the Borrower together with the acknowledgement of receipt of the Borrower Response Package, if feasible.

- **Borrower Evaluation Notice**

  Within **five days of an evaluation decision but no later than 30 days** following receipt of the complete Borrower Response Package, the Servicer must provide the appropriate Borrower Evaluation Notice communicating its decision to the Borrower. With respect to those evaluation notices which are offers for alternatives to foreclosure, Servicers must include the date by which the Borrower must accept or indicate intent to accept such offers, which must be **14 days from the date of the applicable evaluation notice**.

  The HAMP Trial Period Plan Borrower Evaluation Notice will replace HAMP Form 1117, *HAMP Trial Period Plan Notice*, and also the Borrower Notice and related requirements in Chapter C65, *Home Affordable Modification Program*, are being eliminated. Unless required by applicable federal, State or local law, Servicers are not required to include in the HAMP Trial Period Plan Borrower Evaluation Notice a primary reason or reasons for not offering the Borrower a specific alternative to foreclosure.

  Borrowers who are less than 60 days delinquent may be required to provide additional hardship documentation in order for the Servicer to complete the imminent default evaluation as required under HAMP. In such cases, a complete Borrower Response Package is defined to include the imminent default hardship documentation for purposes of meeting the evaluation and Servicer response time frames set forth in Section 64.6. The Servicer's obligation to respond to such Borrowers within five days of an evaluation decision, but no later than 30 days from the receipt of a complete Borrower Response Package, applies once the Servicer receives the additional imminent default hardship documentation necessary to complete the evaluation. However, Servicers are reminded that for those Borrowers who are not required to provide additional hardship documentation, the Servicer's evaluation and response time frames set forth in Section 64.6 remain unchanged.

  Most of the possible outcomes of a Servicer's decision and response are described in Section 64.6(c).

Model letters describing each Borrower Evaluation Notice are included in new Exhibit 93, *Evaluation Model Clauses*. The Borrower Evaluation Notices are also available for download at: **http://www.freddiemac.com/singlefamily/service/solicitation_docs.html**.

Use of the model letters is optional; however, they illustrate the level of specificity that is deemed to be in compliance with the requirements of Section 64.6. The possible outcomes of a Servicer's decision and response for each Borrower Evaluation Notice are described in Section 64.6(c). The model letters may be altered at the Servicer's discretion as it deems necessary to meet the requirements of Chapters A65, *Reinstatements and Relief Options*, B65, C65, and D65, *Home Affordable Foreclosure Alternatives*, and to comply with disclosure and other requirements under applicable federal, State or local law.

Section 64.6 sets forth all requirements related to the Borrower communication and evaluation process including the required contents of the notice acknowledging receipt of a complete Borrower Response Package and the incomplete information notice. Servicers must also refer to Chapters A65, B65, C65, and D65, for additional information on sending the Borrower Evaluation Notice specific to each reinstatement, relief or workout option.

Servicer evaluation obligations during the foreclosure process

We have revised requirements and placed restrictions on the initiation of foreclosure in certain circumstances.

A Mortgage must not be referred to foreclosure under the following conditions:

- A complete Borrower Response Package is received and the Servicer is evaluating the package. (Note: If a complete Borrower Response Package is submitted after the Mortgage is referred to foreclosure, the foreclosure process may continue while an evaluation is being performed for an alternative to foreclosure.)
- The Servicer has extended an offer for an alternative to foreclosure and the 14-day period for the Borrower's response has not expired

- The Borrower is approved for mortgage assistance under the Hardest Hit Fund initiative as set forth in Bulletin 2010-25
- The Borrower has accepted an offer for an alternative to foreclosure and is performing in accordance with its terms

Reduced time period to provide a Borrower Evaluation Notice

Under certain circumstances, Servicers will be required to evaluate the Borrower for an alternative to foreclosure and provide the Borrower with a Borrower Evaluation Notice in less than the 30-day time period described in the "Borrower communication and evaluation process" section above. Specifically, if the Servicer receives a complete Borrower Response Package close to the foreclosure sale date (i.e., less than 37 days prior to the sale date), the Servicer will not have 30 days to conduct an evaluation and communicate a decision prior to the deadline for providing a foreclosure certification to the attorney/trustee. We have updated Section 64.6 to provide specific requirements related to accelerated time lines for these situations.

Servicers should review the following Sections for complete requirements related to a Servicer's evaluation obligations during the foreclosure process:

- 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*
- 66.9.1, *When to Initiate Foreclosure on a First-Lien or a Second Mortgage/Home Improvement Loan (HIL)*
- 66.32.1, *Foreclosure Sale Postponements*
- 66.41, *Complete Borrower Response Packages Received After the Foreclosure Sale Has Been Scheduled*

Pre-foreclosure referral review

Following expiration of the breach letter and the second Borrower Solicitation Package Borrower response time frame without affirmative Borrower response, but in no event less than seven days prior to referral to foreclosure, the Servicer must review the Mortgage account to verify that:

- It made every attempt to achieve quality right party contact in accordance with Section 64.4
- There is no approved payment arrangement
- There is no pending alternative to foreclosure offer, or if an offer has been made, that the Borrower response period has expired

In the event that the review results in discovery of an approved payment arrangement or pending alternative to foreclosure, the Servicer must not refer the Mortgage to foreclosure.

This requirement is included in new Section 66.9, *Pre-referral Account Review*.

Pre-foreclosure sale reviews

At least 30 days prior to the scheduled foreclosure/trustee sale, the Servicer must review the Mortgage history to verify compliance with all required Borrower outreach and solicitation requirements specified in Chapter 64, *Delinquencies*, and that there is not an approved payment arrangement or a pending alternative to foreclosure offer for which the Borrower response period has not expired.

This requirement is included in Section 66.41.1, *Reviews and Certifications Prior to Foreclosure Sale*.

Certification to foreclosure attorney/trustee

At least seven, but no more than 15 days prior to a foreclosure sale, the Servicer must once again review the Mortgage account. If, based on the account review, the Servicer determines that all Borrower outreach and solicitation requirements have been achieved and that there is no approved payment arrangement or pending alternative to foreclosure offer, or if an offer has been made, that the Borrower response period has expired, the Servicer must send written certification to the attorney/trustee **at least seven, but no more than 15 days prior to the foreclosure sale date** indicating the attorney/trustee must continue with

the foreclosure sale. However, the Servicer must not provide such certification if it exercised its discretion to postpone the foreclosure sale to facilitate resolution of an escalated case and such escalated case is not yet resolved. (Refer to Section 51.5.1, *Servicer Response to Complaints – Escalated Cases*.)

The foreclosure certification requirements are included in Section 66.41.1.

Property inspections

We have revised our property inspection requirements to indicate that the initial property inspection must be ordered by the 45th day of Delinquency and completed by the 60th day of Delinquency, if the Servicer has not received a payment in the last 30 days or quality right party contact has not been achieved. The Servicer must continue to obtain a property inspection every 30 days if the Mortgage remains 45 days or more delinquent until:

- The Servicer achieves quality right party contact and the Borrower and Servicer agree to a prospective resolution to the Delinquency. A prospective resolution to the Delinquency can be a verbal commitment from the Borrower to resolve the Delinquency via a reinstatement, relief or workout option; or
- The Servicer receives the Property Condition Certificate (PCC) from Freddie Mac once the property reverts to Real Estate Owned (REO) after the foreclosure sale

If the property is found to be vacant or tenant-occupied, property inspections must continue as long as the Mortgage remains 45 or more days delinquent regardless of whether the Servicer achieves quality right party contact or a prospective resolution to the Delinquency.

An inspection is not required for Mortgages in bankruptcy performing in accordance with the terms of a bankruptcy plan.

Section 65.33, *When to Order a Property Inspection*, has been updated to reflect these changes.

INCOME, HARDSHIP AND OTHER DOCUMENTATION REQUIREMENTS

Income and hardship documentation

We have revised our income documentation requirements for all modifications offered under the Guide. Servicers must now obtain the same income documentation requirements when evaluating Borrowers for a HAMP modification under Chapter C65 or for a non-HAMP modification under Chapter B65. To streamline the evaluation process for an alternative to foreclosure, we are also implementing the revised income documentation requirements for all other workout types under the Guide and certain relief options. Refer to Section 65.18, *Borrower Income Documentation*, for all requirements related to the new income documentation. In addition, refer to Chapters A65, B65, C65 and D65 for income documentation requirements for the various relief and workout options.

We have also revised our requirements for establishing a Borrower's hardship for all Chapter B65 and C65 modifications under the Guide (including HAMP), as well as other workout options and certain relief options. The new hardship requirements are replacing our existing involuntary inability to pay requirements. To be eligible for a modification, the hardship must currently be causing or be expected to cause a long-term or permanent decrease in the Borrower's income or increase in the Borrower's expenses. Servicers should refer to Section 65.17, *Verifying a Borrower's Hardship*, for a description of the eligible hardships and the associated documentation requirements that the Borrower must provide to document the hardship.

We are also reminding Servicers that for Borrowers who must be determined to be in imminent default prior to being evaluated for HAMP, the Imminent Default Hardship documentation requirements as set forth in Section C65.5.2 have not changed.

Borrower Response Package

Servicers must obtain a complete Borrower Response Package from the Borrower to perform an evaluation of the Borrower for certain workout and relief options. A complete Borrower Response Package includes the following:

- Completed and signed Uniform Borrower Assistance Form
- Income documentation in accordance with Section 65.18
- Hardship documentation in accordance with Section 65.17
- Completed and signed IRS Form 4506T-EZ. Note: Servicers must obtain IRS Form 4506-T if the Borrower (i) is self-employed, and/or (ii) files federal income tax returns based on a fiscal calendar year (i.e., a tax year beginning in one calendar year and ending in the following year)
- If applicable, Imminent Default Hardship documentation in accordance with Section C65.5.2 for Borrowers who are less than 60 days delinquent, only when such documentation is necessary to complete the imminent default evaluation as required under HAMP
- Until we introduce our new Standard Modification option, for evaluations for a modification conducted under Chapter B65, Servicers will be required to obtain from Borrowers the following additional information pertaining to household and living expenses that is not included on the new Form 710 for Chapter B65 modifications.
  - ❑ Child care
  - ❑ Health insurance premiums (if not withheld from pay)
  - ❑ Medical (co-pays and monthly prescriptions)
  - ❑ Food
  - ❑ Auto expenses/auto insurance
  - ❑ Water/sewer/utilities/telephone
  - ❑ Life insurance premiums (not withheld from pay)

The new documentation requirements become effective **for all new evaluations for an alternative to foreclosure conducted on or after October 1, 2011**. Servicers may, and are strongly encouraged to implement these new requirements into their processes as soon possible.

Sections 64.6, 65.17 and 65.18 and Chapters A65, B65, C65 and D65 have been updated to reflect these changes.

STATE FORECLOSURE TIME LINES AND COMPENSATORY FEES

We have revised our State foreclosure time lines in Exhibit 83, *Freddie Mac State Foreclosure Time Lines*. The new State foreclosure time lines are in effect for all Mortgages referred to foreclosure on or after **October 1, 2011**.

Allowable delays in completing a foreclosure

The State foreclosure time line will be extended for a Mortgage under the following circumstances:

- A Borrower files for bankruptcy protection
- Delays due to probate, military indulgence under the Servicemembers Civil Relief Act of 2003 or similar State law providing relief to active duty military service members, and contested foreclosures
- Delays incurred during the period the Borrower is evaluated for HAMP eligibility but is determined to be ineligible for HAMP
- Delays where the Borrower entered a HAMP Trial Period Plan but failed to comply with the terms of the plan

Refer to Exhibit 83A, *Determining State Foreclosure Time Line Compensatory Fees*, for the manner in which Freddie Mac calculates the additional time granted for each of the allowable delays.

Compensatory fees

If the Servicer exceeds the State foreclosure time line (DDLPI to foreclosure sale) on a Mortgage plus any allowable delays, compensatory fees will be assessed in addition to any actual damages caused by the Servicer's failure to comply with the requirements of the Guide.

For Mortgages referred to foreclosure on or after **October 1, 2011**, there is a new calculation for State foreclosure time line compensatory fees. With the new calculation, foreclosure sales completed by Servicers that are less than the State foreclosure time line standard will no longer offset foreclosure sales exceeding the State foreclosure time line (i.e., netting is no longer part of the compensatory fee calculation). In addition, foreclosure sales conducted by designated counsel are now subject to the compensatory fee calculation.

Compensatory fees will not be assessed if a Servicer's aggregate amount of monthly compensatory fees is $1,000 or less. Details of the new calculation for State foreclosure time line compensatory fees are outlined in Exhibit 83A.

For Mortgages referred to foreclosure on or after **October 1, 2011**, State foreclosure time line compensatory fees will be **billed monthly** on the Servicer Non-Performing Loans Invoice, rather than annually. The first monthly bill, to be distributed in early January of 2012, will capture State foreclosure time line compensatory fees related to Mortgages referred to foreclosure on or after October 1, 2011, resulting in foreclosure sales in October of 2011.

Subsequent Servicer Non-Performing Loans Invoices will only include compensatory fees for one month and will be for foreclosure sales conducted two months prior, provided the Mortgage was referred to foreclosure on or after October 1, 2011.

Servicers may submit data to correct past reporting discrepancies; however, no adjustment to the assessed compensatory fee(s) will be made for corrections related to inaccurate or incomplete reporting

Freddie Mac's existing compensatory fee calculation and annual assessment will continue to apply to all Mortgages referred to foreclosure prior to October 1, 2011.

Sections 66.30, *State Foreclosure Time Lines*, 66.32, *Allowable Delays in Completing a Foreclosure*, and 66.33, *State Foreclosure Time Line Performance Assessment*, and Exhibits 83 and 83A have been updated to reflect these changes.

ESCALATED CASES

We have introduced new requirements directing Servicers to have processes and procedures in place for review and response to Borrower disputes and complaints about the Servicer and/or its third-party providers that rise to the level of an escalated case. Section 51.5.1 includes new requirements related to:

- When and how Servicers must respond to and resolve Borrower complaints or disputes
- Handling Borrower complaints or disputes on Mortgages that are referred to foreclosure
- Reporting requirements to Freddie Mac

Servicers must review Guide Section 51.5.1 for all requirements specific to the Servicer's management of escalated cases.

HAWAII LEGISLATIVE CHANGES AFFECTING NON-JUDICIAL FORECLOSURES

Effective immediately, due to recent changes in Hawaii State law affecting non-judicial foreclosures, Servicers must:

- Commence all new Freddie Mac foreclosures in Hawaii as judicial foreclosures
- Convert all non-judicial foreclosures to judicial foreclosures in Hawaii that have not proceeded to foreclosure sale

In certain circumstances, Freddie Mac may be required to re-foreclose certain recent REO acquisitions that resulted from non-judicial foreclosures. Upon being notified, Servicers must rescind the non-judicial foreclosure and recommence the action as a judicial foreclosure.

In addition, due to the recent change in the foreclosure process, we are currently reviewing the maximum allowable attorney fee for Hawaii and will communicate any revision to such amount, if applicable, in a future Bulletin.

TRAINING

A suite of training materials and reference documents will be available to support the Servicing Alignment Initiative topics announced in this Bulletin. Please register for our ***Bulletin Overview*** webinar for a comprehensive outline of this announcement. Additional Servicing Alignment Initiative training topics are also available for registration. To register for training, please visit **The Learning Center** at **www.freddiemac.com**. You can also review all of our current training offerings by accessing the **Servicing Alignment Initiative** section of **The Learning Center**.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 50, 51, 53, 64, 65, A65, B65, C65, D65, 66, 67, 78 and 83
- Forms 710 and 710A
- Exhibits 57A, 82, 83, 83A, 93, 94, 1131 and 1161
- Glossary
- Directory 5

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-12

TO: Freddie Mac Servicers July 14, 2011

SUBJECT: EMERGENCY HOMEOWNERS' LOAN PROGRAM

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is providing guidance and requirements for Servicer participation in the Department of Housing and Urban Development's (HUD) Emergency Homeowners' Loan Program (EHLP).

Overview

HUD received $1 billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act to implement EHLP, a program designed to provide mortgage payment relief for qualifying Borrowers who have experienced a reduction of income of at least 15 percent as a result of involuntary unemployment or underemployment due to adverse economic conditions and/or medical conditions. The main objective of EHLP is to help stabilize the housing market by helping distressed Borrowers retain their homes by providing funds to pay certain arrearages to bring the Mortgage current, as well as ongoing monthly assistance to help Borrowers make their monthly Mortgage payment.

EHLP complements the Treasury's Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund ("HHF") and will assist Borrowers in Puerto Rico and 32 other States that did not receive funding through the HHF. A complete list of all States receiving EHLP funds can be found on HUD's EHLP web site.

HUD has determined that state Housing Finance Agencies (HFA) in Connecticut, Delaware, Idaho, Maryland and Pennsylvania administer programs substantially similar to EHLP ("**Substantially Similar Programs**"), and as a result has directly allocated EHLP funds to each of these States to enable them to directly administer their programs to assist Borrowers in need. Since these State programs may have slightly different eligibility and application requirements than EHLP, Borrowers residing in these States who are interested in EHLP must apply for assistance directly through their respective State HFA.

In States that do not have Substantially Similar Programs, HUD has delegated the EHLP outreach, application and counseling functions to HUD-approved housing counseling intermediaries and NeighborWorks® America (NWA) ("**Delegated Process**"). Bank of New York Mellon (BNY) will act as HUD's fiscal agent to facilitate the processing of EHLP payments, including collection of the Borrower's contribution and remitting the full monthly payment to the Servicer on behalf of the Borrower.

EFFECTIVE DATE

Effective immediately, for Freddie Mac-owned or guaranteed Mortgages, Servicers must participate in EHLP by working with HUD and HUD's designated intermediaries including NWA, BNY and HFAs, when Borrowers apply for and receive assistance under EHLP.

EHLP INFORMATION

Approved Borrowers are eligible to receive one-time EHLP assistance to pay certain arrearages to bring the Mortgage current, as well as ongoing monthly assistance to help make their monthly first lien Mortgage payment (including principal, interest, taxes, and insurances). Assistance is limited to a maximum duration of 24 months, or up to a maximum of $50,000 in Mortgage payment assistance, whichever occurs first.

Junior lien

The EHLP loan is secured by a junior lien against the Borrower's Primary Residence and is forgivable over a five-year principal reduction period. No payment is due on the EHLP Note during the five-year term, provided that the Borrower remains current on the Mortgage and meets other program requirements. If the Borrower meets all conditions, the principal balance due on the EHLP loan will decline by twenty percent annually, until the Note is extinguished and the junior lien is terminated.

Borrower contribution

Under EHLP, the Borrower's contribution to the monthly Mortgage payment will be set at 31 percent of Borrower's monthly income at the time of application, but in no instance will it be less than $150 per month. EHLP funds will be used to pay the remaining portion of the monthly Mortgage payment.

Pre-application screening process

Under HUD's Delegated Process, Borrowers interested in applying for EHLP assistance must first complete a pre-application screening process. This pre-application eligibility screening period runs from June 20, 2011 through July 22, 2011. EHLP counseling agencies will evaluate each Borrower's completed Pre-Applicant Screening Worksheet to make an initial pre-determination of household eligibility. Since HUD anticipates a high demand for the EHLP, if there are more eligible homeowners than there are funds available the worksheets will be entered into a randomized selection process and selected borrowers will be invited to apply. Selected Borrowers must obtain final approval from HUD by September 30, 2011 in order to receive EHLP assistance.

Servicers should refer Borrowers inquiring into EHLP assistance to the HUD EHLP web site for full program and eligibility information. For States with Substantially Similar Programs, Servicers should refer Borrowers to their respective State HFA web sites for program information.

SERVICER REQUIREMENTS

Securing signed agreements

With respect to States with Substantially Similar Programs, Servicers must immediately take appropriate action to participate in EHLP, including engaging with each HFA to secure signed agreements, if applicable, for program participation. In States where HUD's Delegated Process is used, Servicers must immediately begin working with HUD to secure a signed Memorandum of Understanding (MOU) between HUD and the Servicer to participate in EHLP.

Servicers must also take the actions necessary to ensure that their processes and procedures are ready to respond to requests for assistance and accept funds provided on behalf of the Borrower under EHLP.

Borrower authorization

Servicers are reminded that they must ensure that they receive a Borrower's written authorization to share, release or discuss such Borrower's nonpublic personal information with an authorized third-party, such as NWA or BNY. The Borrower's written authorization must comply with Guide Section 53.8, *Compliance with Applicable Law*, and all applicable federal, State and local laws relating to data security, privacy and safeguarding of Borrower personal information.

Foreclosure actions

Servicers must suspend foreclosure proceedings once notified that a Borrower has been approved for EHLP assistance. Servicers must notify all appropriate parties (e.g., the Borrower, the HFA, NWA, BNY) if a scheduled foreclosure sale cannot be halted because a court with jurisdiction over the foreclosure proceeding (if any) or public official fails or refuses to halt the foreclosure sale.

Collection efforts and delinquency management

If a Servicer does not receive a Borrower's monthly mortgage payment after receiving notification of approval for EHLP assistance, the Servicer must contact the appropriate agency in order to determine whether EHLP assistance has been terminated. If EHLP assistance has not been terminated, the Servicer must work with the Borrower to ensure that any payments due are remitted to the appropriate party (e.g., BNY or the HFA). If EHLP assistance is terminated for a Borrower, the Servicer must begin appropriate collection efforts in accordance with Guide Chapter 64, *Delinquencies*.

Document retention and reporting requirements

A Servicer must document in the Mortgage file or its servicing system any Mortgage for which it receives notice of Borrower approval for EHLP assistance and amount of EHLP funds received on each Mortgage. Servicers must be able to furnish this information to Freddie Mac upon request.

Servicers must also retain all documents, communications and information pertaining to the Borrower's mortgage assistance under EHLP in the Mortgage file/servicing system.

CONCLUSION

If after reviewing this Bulletin you have any questions about Freddie Mac requirements related to your participation in EHLP, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Bulletin

NUMBER: 2011-13

TO: Freddie Mac Servicers July 25, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are pleased to announce the requirements for our new Freddie Mac Servicing Success Program, which redefines our expectations of quality and responsible Servicing. The program includes the Freddie Mac Servicer Success Scorecard and the Freddie Mac Servicer Success File Reviews, which work in tandem to strengthen Servicing performance across key focus areas.

As a result of implementing this new performance program and associated criteria, the Servicer Performance Profile tier ratings will be retired, as communicated in our March 2, 2011 Single-Family Advisory e-mail, and the May 18 Single-Family News Center article.

Other changes

In this Bulletin, we are also announcing:

- The elimination of all tier-based fee and penalty reductions and waivers
- Future enhancements to the Servicing Success Program
- Additional guidance on submitting a proxy credit score when performing the Treasury Net Present Value (NPV) Model evaluation under the Home Affordable Modification Program (HAMP) where no Borrower has an available credit score
- Updates to the Home Affordable Modification Agreement authorized changes in Guide Exhibit 5, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*
- Changes to Exhibit 57A, *Approved Attorney Fees and Title Expenses*
- Updates to Directory 6

Finally, we are also updating the Guide to instruct Servicers of Mortgages reported through the Freddie Mac Alternative Collateral Deal (ACD) system and Mortgages subject to Long-Term Standby Commitments (collectively, "Alternative Collateral Mortgages") that, at this time, and until further notice, the Servicing Alignment Initiative requirements announced in Bulletin 2011-11 do not apply to such Mortgages.

EFFECTIVE DATES

All of the changes announced in this Bulletin are effective **August 1, 2011**, unless otherwise noted.

SERVICER SUCCESS SCORECARD

Servicers will be held accountable to the requirements for performance announced in this Bulletin beginning **August 1, 2011**. A Servicer's August performance results will be visible on the Servicer Performance Profile web site on **October 7, 2011**. The July Servicer Performance Profile report will be the last report to provide tier ratings, and will be published on September 8, 2011.

Overview

In 1996, Freddie Mac introduced the Servicer Performance Profile to define our expectations regarding Servicer performance. The Servicer Performance Profile provided an effective way to measure performance and align performance results with our mutual goal of quality Servicing. However, as Servicing volumes increased and Servicing became more complex, we found that we needed to redefine our expectations of quality and responsible Servicing. The Servicer Success Scorecard builds on our years of experience in measuring Servicing performance and includes criteria to better measure Servicer performance in the current Servicing environment.

While the Servicer Performance Profile tier ratings are being retired, the loan-level detail reports, and other data that Servicers access daily to assist with understanding and managing their Freddie Mac portfolios, will continue to be available at **http://www.freddiemac.com/singlefamily/service/tools.html**.

Performance requirements and monitoring

Effective **August 1, 2011**, Freddie Mac will regularly monitor each Servicer's performance against the criteria in the Servicer Success Scorecard. A Servicer's performance criteria and performance results are published monthly in a Servicer Success Scorecard at **http://www.freddiemac.com/singlefamily/service/tools.html**.

The Servicer Success Scorecard is a confidential monthly performance review for all Servicers which measures a Servicer's performance based on key criteria in two categories, investor reporting and remitting, and default management. Certain Servicers received their Servicer Success Scorecards earlier in the year with individual performance requirements, together with negotiated terms of business, and such Servicers may not be included in the rankings described below.

Each Servicer Success Scorecard is considered to be "confidential information" for purposes of Guide Sections 2.16, and 53.14, both titled *Receipt and Treatment of Confidential Information*.

The Servicer Success Scorecard provides a Servicer with a ranking compared to other ranked Servicers in the following categories (see the "Rankings" section below in this Bulletin for additional information):

- Investor reporting and remitting
- Default management

A Servicer will receive a rank in the default management category only if it is Servicing a minimum number of Mortgages that are 90 or more days delinquent.

For each category, a Servicer will be presumed to have an unacceptable Servicer Success Scorecard result if the Servicer's ranking is in the bottom 25% of ranked Servicers. For such Servicer, and other Servicers identified by Freddie Mac, Freddie Mac will consider the Servicer Success Scorecard results along with other factors, including, but not limited to, portfolio composition, concentration of high-risk Mortgages, trends in performance, adequacy of staffing, audit results, and/or compliance with the Purchase Documents before making a final assessment of the Servicer's overall performance and determining an appropriate remedy, if applicable.

Rankings

Servicers earn points based on their performance in each measurement criteria in investor reporting and remitting, as well as default management. Servicers can earn a maximum number of points for each measurement criterion equal to the weight Freddie Mac has applied to each criterion.

For example, cash management is worth a maximum total of 45 points, which includes:

- Shortage Percentage (30 points)
- Custodial Account Review (15 points)

A Servicer is given a rank for each measurement criterion, which is derived from ranking the Servicer's performance for that criterion against other Servicers' performance. To derive the overall rank for investor reporting and remitting, or default management, the points are added among all measurement criteria, and those total points are ranked against other Servicers' total points.

The performance criteria, weightings, and rankings for each Servicer are published monthly in the Servicer Success Scorecard at **http://www.freddiemac.com/singlefamily/service/tools.html**

Default management criteria

The following default management criteria, announced to Servicers in the March 2, 2011 Single-Family Advisory e-mail, are effective on **August 1, 2011**:

- The **Early Collections Roll Rate** criterion is the difference between the Servicer's share of its 30-day delinquent Mortgage population that transitions to a further state of Delinquency in the next month, over a rolling three-month time period and the Servicers normalized benchmark share that transitions to a further state of Delinquency over the same time period. (Normalization creates a synthetic portfolio that matches the composition of the target Servicer, based on key Mortgage characteristics.) HAMP Trial Period Plans are excluded. This criterion is weighted at 10%.
- The **Late Collections Roll Rate** criterion is the share of Mortgages 90 or more days delinquent that transition to a further state of Delinquency in the next month, over a rolling three-month time period. HAMP Trial Period Plans and Mortgages in foreclosure are excluded. This criterion is weighted at 20%.
- The **Workout Ratio** criterion is the ratio of workouts on Mortgages that are 60 or more days delinquent (i.e., non-HAMP and HAMP official/Trial Period Plan, short sale, deed-in-lieu or repayment plan) completed in a given month, to the 60 or more days delinquent Mortgage inventory from the prior month, over a rolling three-month time period. This criterion is weighted at 30%.
- The **Seriously Delinquent Mortgages Past Foreclosure Referral Standard** criterion is the percentage of Mortgages in a Servicer's portfolio that are 90 or more days delinquent with no delays that have exceeded the foreclosure referral standard identified in the Guide over a rolling three-month time period. This criterion is weighted at 10%.
- The **Seriously Delinquent or Foreclosure Mortgage Inventory Past Standard** criterion measures, for Mortgages in a Servicer's portfolio that are over standard, how far over standard those Mortgages are on average, over a rolling three-month time period. This criterion is weighted at 10%.

The default management category will be composed of the five new criteria listed above, and the following four current and unchanged data integrity criteria:

- Initial Electronic Default Reporting (EDR) Edits, weighted at 5%
- Sixth Business Day EDR Edits, weighted at 5%
- Accuracy of Due Date of Last Paid Installment (DDLPI) Reporting, weighted at 5%
- Average Number of Days to Report Foreclosure Sales, weighted at 5%

Investor reporting and remitting criteria

At this time, the criteria for investor reporting and remitting will remain the same. These criteria and weights are as follows:

- Cash management
  - Shortage Percentage (rolling three-month time period), weighted at 30%

- Custodial Account Review Score, weighted at 15%

- Data integrity management
  - Percentage of Aged Applied Transactions in Error Greater than 60 Days (rolling three-month time period), weighted at 15%
- Operational management
  - Percentage of Transactions in Error (rolling three-month time period), weighted at 25%
  - Average Days to Report Payoffs, weighted at 15%

Removal of Servicing restrictions for certain products

We are removing from the Guide the requirement that the following Mortgage products be serviced by Tier 1 and Tier 2 Servicers:

- Affordable Gold® 97 Mortgages
- Home Possible® Mortgages
- Texas Equity Section 50(a)(6) Mortgages
- A-minus Mortgages
- Freddie Mac 100 Mortgages
- Mortgages secured by Manufactured Homes

Provisions in negotiated terms of business that require a certain tier rating to service these Mortgage products are not applicable as of **August 1, 2011**.

SERVICER SUCCESS FILE REVIEWS

We are updating the Guide to include information about our new "Servicer Success File Reviews." These reviews, which are a component of the Servicing Success Program, are an important tool to help identify issues that may be preventing a Servicer from achieving the highest quality Servicing.

We will contact a Servicer selected for a Servicer Success File Review with detailed written instructions on the documentation to be included in the file and the manner and required time frame for submission of the documentation to us.

The Servicer Success File Reviews will be a review of delinquent Mortgage files and will focus on, but will not be limited to: collections, loss mitigation processes, property preservation, foreclosure time line management and compliance with Freddie Mac's requirements related to alternatives to foreclosure. Because the Servicer Success File Reviews will include a compliance review, they will replace Freddie Mac's Second Level Review process for Mortgages modified under HAMP. Servicer Success File Reviews are not intended to replace a Servicer's internal quality control review of default management activities. We will provide detailed written results of the review to the Servicer and will work with the Servicer to identify strategies to improve their Servicing of Mortgages serviced for Freddie Mac. In the future, the Servicer Success Scorecard for certain Servicers will include the Servicer Success File Review results, and these results may be a factor in Freddie Mac's assessment of the Servicer's overall performance.

TIER-BASED FEE REDUCTIONS AND WAIVERS

Effective **August 1, 2011**, with the retirement of tier ratings, we are also eliminating any fee and penalty waivers and reductions provided to Tier One, Tier One Platinum and Tier One Gold Servicers, which include:

- For Tier One Servicers:
  - Waivers for Transfer of Servicing and database change fees
  - Waivers of penalties related to non-compliance with reporting requirements

- Reduction of penalties for cash remittance non-compliance
- Waivers of fees for research and record reconstruction

- For Tier One Platinum Servicers:
  - EarlyIndicator® renewal fees or fees to acquire the tool
  - Fees for Freddie Mac training classes and events
- For Tier One Gold Servicers:
  - Fees for Freddie Mac training classes and events

FUTURE ENHANCEMENTS TO THE SERVICING SUCCESS PROGRAM

In upcoming Bulletins, we will announce the following:

- Freddie Mac Servicer Success Rewards and Remedies
- Integration of the components of the Servicing Alignment Initiative into the Servicing Success Program and the Servicer Success Scorecard
- Enhancements to the Servicer Performance Profile web site, which will include:
  - Refining how the portfolio rankings are determined to include portfolio characteristics of a specific Servicer
  - Providing additional tools to improve the loan-level detail reports and other data that Servicers access daily to assist with understanding and managing their Freddie Mac portfolios

PROXY CREDIT SCORE FOR HAMP NPV EVALUATIONS

In HAMP Supplemental Directive 11-02, *Making Home Affordable Program – Administrative Clarifications*, issued earlier this year, Treasury provided guidance to non-Government Sponsored Enterprise (GSE) servicers regarding the use of a proxy credit score when performing the Treasury NPV Model evaluation in cases where no borrower has an available credit score. With this Bulletin, we are updating Section C65.6, *Underwriting the Borrower*, to provide similar guidance to Freddie Mac Servicers.

Effective immediately, for HAMP-eligible Mortgages where no Borrower has an available credit score, the Servicer must use 557 as a proxy credit score when performing the Treasury NPV Model evaluation. Furthermore, if a Borrower has a credit score, but it is below 250, the Servicer should input 250 as the credit score into the Treasury NPV Model. Documentation of an unavailable credit score, or a credit score below 250, must be retained in the Mortgage file and provided to Freddie Mac upon request. The proxy credit score and the minimum credit score of 250 rules may not be used as an input into Imminent Default Indicator®.

UPDATES TO EXHIBIT 5

We have updated Exhibit 5 to reflect revisions to the authorized changes for the Home Affordable Modification Agreement (Form 3157, dated 3/09 (Rev. 10/10)).

UPDATES TO EXHIBIT 57A

Effective with all new referrals to foreclosure on or after July 1, 2011

We recently completed a review of our allowable reimbursable expenses for attorney fees and title expenses. As a result of our review, we have increased the reimbursable attorney fees for bankruptcy. We also have increased the reimbursable attorney fees for foreclosure and deed-in-lieu of foreclosure and for title expense amounts in several States. The new attorney fees and title expense amounts are effective with all new referrals to foreclosure on or after **July 1, 2011**.

DIRECTORY 6

Effective immediately

We have made revisions to Directory 6 to reflect changes to contact information for certain matters related to 1- to 4-unit Real Estate Owned (REO) properties.

SERVICERS OF ALTERNATIVE COLLATERAL MORTGAGES

We have updated Guide Chapter 64, *Delinquencies*, to advise Servicers that service Alternative Collateral Mortgages that, at this time, the Servicing Alignment Initiative requirements announced in Bulletin 2011-11 do not apply to such Mortgages.

Until Freddie Mac notifies such Servicers in writing, the Servicers must continue to service Alternative Collateral Mortgages in accordance with their governing documents, existing delegations of authority and the Guide as it existed on June 29, 2011; provided, however, such Servicers must follow the requirements in the section of Bulletin 2011-11 titled "Hawaii Legislative Changes Affecting Non-Judicial Foreclosures."

Section 64.1, *Overview*, has been updated to reflect these instructions.

REMINDER – FREDDIE MAC SERVICE LOANS APPLICATION IS REPLACING MIDANET® FOR THE PC ("MIDANET")

As announced in Bulletin 2011-1, the Freddie Mac Service Loans application is replacing MIDANET for Mortgage Servicing activities. Beginning in April 2011, Servicers have migrated from MIDANET to Service Loans in a phased approach, which we expect to be completed by September 30, 2011. In a future Bulletin, references to MIDANET will be removed from Volume 2 of the Guide.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 5, 24, C33, E33, H33, L33, A34, 51, 52, 56, 64, 65, B65, C65, 66, 73, 76 and 78
- Form 981
- Exhibits 5, 57A and 88
- Glossary
- Directory 6

REFERENCE DOCUMENTS

At a future date, reference documents will be available on **The Learning Center** at **www.freddiemac.com/learn** to support the Servicer Success Scorecard changes announced in this Bulletin. We will notify you when these reference documents become available.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-14

TO: Freddie Mac Sellers August 4, 2011

SUBJECT: UNIFORM LOAN DELIVERY DATASET DELIVERY REQUIREMENTS AND RETIREMENT OF MIDANET® FOR DELIVERY

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are updating the Guide to include the requirements for delivery of Uniform Loan Delivery Dataset (ULDD) data for the initial implementation phase ("Phase I implementation") using the MISMO® Version 3.0 Reference Model ("MISMO v3.0"). These requirements apply to all Mortgages delivered to Freddie Mac on or after **March 19, 2012** that have Application Received Dates on or after December 1, 2011.

We are also announcing that effective **March 19, 2012**, we are retiring MIDANET for delivery and removing references to it from the Guide. Therefore, products that were only available for delivery through MIDANET will no longer be eligible for sale to Freddie Mac.

UNIFORM LOAN DELIVERY DATASET

Effective for Mortgages delivered on or after March 19, 2012, with Application Received Dates on or after December 1, 2011

Background

As announced in Bulletin 2010-15, in May 2010, the Federal Housing Finance Agency (FHFA) directed Freddie Mac and Fannie Mae to work together to improve the consistency and quality of loan data through the Uniform Mortgage Data Program® (UMDP℠). As part of the UMDP, we published the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD") on June 28, 2010, and updated those requirements on March 29, 2011. The Freddie Mac IG-LD details the requirements for implementing the ULDD for Mortgages sold to Freddie Mac.

New Guide Chapter A17, *Mortgage Delivery Instructions*

With this Bulletin, we are adding new Guide Chapter A17, *Mortgage Delivery Instructions*, which, effective **March 19, 2012**, is a replacement of Chapter 17, *Mortgage Delivery and Settlement Processing*. The new chapter serves the same function as current Chapter 17, in providing comprehensive data delivery instructions for Mortgages sold to Freddie Mac, and it is organized in a manner that is similar to current Chapter 17. The new chapter sets forth the ULDD data requirements for Phase I implementation. Sellers should review Chapter A17 in its entirety to obtain a clear understanding of Freddie Mac's delivery requirements using the ULDD.

The delivery instructions set forth in Chapter A17 are consistent with the data requirements of the ULDD for Phase I implementation identified in Appendix A, *XML Data Requirements, Version 1.0.4*, of the Freddie Mac IG-LD ("Appendix A") and the *Appendix A Addendum* located under the Technical Resources tab on the ULDD page of our web site at
http://www.freddiemac.com/sell/secmktg/uniform_delivery.html

Guide Section A17.3, *Organization and Usage of Delivery Requirements*, provides an overview of Chapter A17 and explains how the delivery instructions are organized.

Data delivery instructions with more general applicability appear earlier in the chapter, and the instructions relating to Mortgages with special characteristics follow. The delivery instructions are cumulative. For example, the Seller must provide data regarding the specific delivery program, the particular Mortgage product, the property, loan and Borrower, as well as any special characteristics that the Mortgage may have.

Retirement of Guide Forms 11, *Mortgage Submission Schedule* and 13SF, *Mortgage Submission Voucher*

We are retiring Guide Forms 11, *Mortgage Submission Schedule*, and 13SF, *Mortgage Submission Voucher*, on **March 19, 2012**, when the new delivery requirements become effective.

Applicable Guide sections have been updated to remove references to Forms 11 and 13SF.

Additional Guide updates

The following Guide sections have also been updated to incorporate ULDD requirements and instructions: 2.2.1, *Introduction to Loan Prospector®;* 22.15, *Wholesale Home Mortgages*; 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*; A24.4, *Delivery and Pooling Requirements*; B24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Open Access*; B24.4, *Delivery and Pooling Requirements*; 25.1, *Purchase Mortgages with Secondary Financing*; L33.5, *Underwriting Requirements*; A34.8, *Credit Underwriting*; 37.5, *Credit Scores*; 42.12, *Delivery Requirements*; 44.11, *Seller Representations and Warranties Regarding the Mortgaged Premises*; and 46.21, *Evidence of Flood Insurance*.

Guide Exhibit 17S, *Available Mortgage Products,* formerly known as *Mortgage Products Available Through the Selling System* has also been updated.

Appendix A Addendum

Correction to delivery requirement for Mortgages with secondary financing

Appendix A contains an error in the requirements for delivering Mortgages with secondary financing. Sellers are instructed to deliver data related to secondary financing only if the secondary financing was concurrently originated with the subject Mortgage. This delivery instruction is inconsistent with the requirements of Guide Sections 25.1, *Purchase Mortgages with Secondary Financing*, and 25.2, *Refinance Mortgages with Secondary Financing*, and with Freddie Mac's expectation that Sellers provide loan data for all secondary financing.

With this Bulletin, we have posted a new document, *Appendix A Addendum*, as part of the Freddie Mac IG-LD, which corrects the error in Appendix A by revising the conditionality details for Mortgages with secondary financing. This correction is presented as replacement rows to Appendix A for Sort IDs 510-517 and 519. *Appendix A Addendum* can be found under the Technical Resources tab on the ULDD page of our web site.

As indicated in the *Appendix A Addendum*, the delivery of ULDD Data Points for all secondary financing associated with Mortgages sold to Freddie Mac becomes mandatory for deliveries on or after **August 1, 2012.** Until that date, you may provide the ULDD Data Points either for concurrently originated secondary financing only, or for all secondary financing associated with the Mortgage. However, we encourage you to provide the information for all secondary financing for Mortgages delivered on and after March 19, 2012.

Additional clarifications in the Appendix A Addendum

The *Appendix A Addendum* also sets forth technical clarifications to several ULDD Data Points, based on Seller feedback. The clarifications include three updates to implementation notes (see Sort ID 224 regarding *Application Received Date*, Sort ID 232 regarding *Convertible Indicator,* and Sort ID 259 regarding *Loan Modification Effective Date*) and three changes to enumerations to correct the capitalization of "Non Profit" (see Sort IDs 545 and 624 regarding *Legal Entity Type*, and Sort ID 577 regarding *Counseling Confirmation Type Other Description*). These clarifications are effective for Mortgage deliveries on the dates specified in the Appendix A Addendum.

Training and resources

Freddie Mac remains committed to providing Sellers with the resources necessary for ULDD implementation. To further that goal, we are offering webinar training to help ensure our Sellers understand the requirements announced in this Bulletin. Sellers are urged to enroll in our new webinar, *Get Set for ULDD: Guide Update*, through Freddie Mac's Learning Center. Information is available at **http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=ULDD_GetSet**

Sellers should review the Learning Center web page at **http://www.freddiemac.com/learn/uw/umdp.html** for additional ULDD training information and resources.

RETIREMENT OF MIDANET FOR DELIVERY

Effective March 19, 2012

With this Bulletin, we are announcing the retirement of MIDANET for delivery. Mortgage products that were only available for delivery through MIDANET will no longer be eligible for sale to Freddie Mac.

We have updated applicable sections of the Guide to remove references to MIDANET for delivery and to products that were only available for delivery through MIDANET.

The following exhibits and forms relating to sale under MIDANET have been removed in their entirety: Exhibit 17, *Offer Product and Offer Program Numbers*; Exhibit 30, *Standard ARM Index Descriptions*, Exhibit 33, *MIDANET Data Delivery Requirements for Documents to be Certified by the Designated Custodian*; Form 1, *Fixed-Rate Mortgage Purchase Contract Confirmation (RNY Cash)*; Form 2, *Adjustable-Rate Mortgage Purchase Contract Confirmation*; Form 3, *Summary Agreement (Guarantor)*; Form 5, *Summary Agreement (MultiLender Swap)*; Form 9, *Fixed-Rate Mortgage Purchase Contract Confirmation (Gold Cash®)*; Form 381, *Contract Delivery Summary*; and Form 939, *Guarantor Program: Security Settlement Information and Delivery Authorization*.

We have also removed the definition for MIDANET from the Glossary.

MIDANET products

Sellers will no longer be able to sell Mortgages to Freddie Mac for cash under Gold Cash, RNY Cash and ARM Cash.

In addition, Freddie Mac will no longer purchase Convertible ARMs and Mortgages sold on a participation basis.

As a result, we have removed the following chapters, sections and exhibits from the Guide: Chapter A9, *RNY Cash Through MIDANET*; Chapter B9, *Gold Cash Through MIDANET*; Chapter A10, *ARM Cash Through MIDANET*; Section 30.9, *Convertible ARMs*; and Exhibit 22A, F*orm of Additional Supplement – Convertible Adjustable-Rate Mortgages (ARMs)*.

GLOSSARY UPDATES

We have added definitions for the following terms in the Glossary:

- Application Received Date
- Appraisal Identifier
- ARM
- Best Efforts Contract
- Fixed-Rate Guarantor Contract
- MultiLender Swap Contract
- Purchase Contract Expiration Date
- Servicing Released Sales Process

- ULDD Data Point
- WAC ARM Guarantor Contract

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, 6, 8, 9, A9, B9, 10, A10, 11, 12, 13, A13, B15, C15, D15, 16, A17, 18, 19, 22, 23, 24, A24, B24, 25, 26, 27, 30, 32, 33, B33, C33, D33, E33, F33, H33, I33, K33, L33 A34, 35, 37, 42, 44, 46 and 80
- Forms 1, 2, 3, 5, 9, 11, 13SF, 381, 939 and 996
- Exhibits 4, 6, 8, 17, 17S, 22, 22A, 30 and 33
- Glossary

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE, and select Delivery.

Sincerely,

Vice President
Offerings Effectiveness

Industry Letter

To: Freddie Mac Sellers and Servicers August 12, 2011

SUBJECT: MORTGAGE INSURANCE COVERAGE REQUIREMENTS AND FREDDIE MAC REMEDIES FOR COMPLIANCE VIOLATIONS

Freddie Mac is seeing a material increase in mortgage insurer rescissions, cancellations and denials of coverage of Freddie Mac-owned Mortgages, and with this letter is reminding Seller/Servicers that Mortgages sold to Freddie Mac must comply with the requirements of the *Single-Family Seller/Servicer Guide* ("Guide") and other Purchase Documents, including requirements related to mortgage insurance coverage. Generally, Seller/Servicers must have obtained a primary mortgage insurance policy for any conventional first Mortgage that has a loan-to-value ratio greater than 80% by the time the Mortgage is sold to Freddie Mac.

If Freddie Mac determines that a Mortgage does not have the mortgage insurance coverage as required at delivery, or if the mortgage insurance coverage is no longer in force due to a rescission, a claim denial or cancellation other than as permitted in Guide Sections 61.2 through 61.4, Freddie Mac may require the Seller/Servicer to repurchase the Mortgage, remit make whole funds, or provide proof that the mortgage insurance required by the Purchase Documents is in effect.

As an accommodation to Seller/Servicers and in response to the increased volume of activity, if a Seller/Servicer currently has an outstanding repurchase request from Freddie Mac related to the rescission, denial or cancellation of mortgage insurance coverage by the mortgage insurer, the Seller/Servicer must either repurchase the Mortgage, or appeal the repurchase request to Freddie Mac by submitting a fully documented appeal in accordance with Section 72.6 of the Guide to **REMEDY_MGMT_APPEAL@FREDDIEMAC.COM** showing evidence that the mortgage insurance required by the Purchase Documents is in effect, or showing evidence that the claim has been paid in full, within the time frames stipulated below:

- For repurchase requests dated **on or before May 31, 2011**, the resolution must be completed by **September 30, 2011**
- For repurchase requests dated **after May 31, 2011**, the resolution must be completed **within the time frames** specified in the Purchase Documents

If the above referenced time frames are not met, these outstanding repurchase requests will be considered delinquent, and Freddie Mac may exercise any of its rights and remedies provided in the Purchase Documents. These include but are not limited to the assessment of a late remittance fee, which until further notice will be assessed at 120 days from the repurchase issuance date if repurchase funds are not received by the repurchase due date.

Notifying Freddie Mac of mortgage insurance rescissions, certain cancellations and claim denials

As a reminder, Section 7.3 of the Guide requires Seller/Servicers to notify Freddie Mac of termination or denial of mortgage insurance coverage of Freddie Mac-owned Mortgages based on fraud. In an upcoming Guide Bulletin, we will announce updated requirements for the reporting of mortgage insurance rescissions, cancellations other than as permitted under Guide Sections 61.2 through 61.4, and claim denials of coverage and the corresponding reasons.

April 1, 2011 Industry Letter reminder

As stated in our April 1, 2011 Industry Letter, Seller/Servicers are reminded that the Purchase Documents do not permit a Seller/Servicer to enter into any arrangement that affects the Mortgages sold to Freddie Mac in any manner that is not specifically provided for or contemplated by the Purchase Documents without Freddie Mac's prior written consent.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-15

TO: Freddie Mac Sellers and Servicers August 16, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are:

Quality control

- Revising Guide Chapter 46, *Freddie Mac's Postfunding Quality Control Review*
- Revising Chapter 48, *Seller's In-House Quality Control Program*, to add a new requirement for preclosing quality control reviews and enhance requirements for postclosing quality control reviews

Mortgage eligibility and credit underwriting

- Permitting Freddie Mac-owned Mortgages with a pool insurance credit enhancement to be refinanced as Freddie Mac Relief Refinance Mortgages℠ – Open Access
- Revising our requirements for Mortgages secured by second homes and Investment Properties to require that a Borrower have no affiliation or relationship with the builder, developer or property seller only for Mortgages for Newly Constructed Homes that are purchase transactions
- Making updates and eliminating redundancies relating to documentation requirements in Chapter 37, *Underwriting the Borrower*
- Revising Guide Section 22.16, *Occupancy*, to remove "to the best of the Seller's knowledge and belief" as a qualification for determining that a Mortgaged Premises will be occupied by the Borrower as a Primary Residence

Pooling requirements

- Revising our pooling requirements for nonassumable Section 502 GRH Mortgages with loan-to-value (LTV) ratios greater than 105% under the fixed-rate Guarantor program

Loan limits

- Updating Chapter L33, *Super Conforming Mortgages*, to reflect the anticipated expiration of the temporary maximum loan limits for Mortgages secured by properties in designated high-cost areas

Mortgage insurance

- Providing additional information about the suspension of Republic Mortgage Insurance Co. and RMIC of North Carolina announced on August 2, 2011 and the authorization of Genworth Mortgage Insurance Corporation ("Genworth") to use Genworth Residential Mortgage Assurance Corporation (GRMAC) as a "Limited Insurer" announced on August 3, 2011

QUALITY CONTROL

Chapter 46, *Freddie Mac's Postfunding Quality Control Review*

Effective for Mortgages with Settlement Dates on or after December 1, 2011

We have updated Chapter 46 to, among other things:

- Add a provision regarding records of collection efforts for nonperforming Mortgages
- Require documentation and information relating to any change in mortgage insurance coverage, including notices of cancellation, rescission or termination to be included in the Mortgage file
- Notify Sellers that for Freddie Mac Relief Refinance Mortgages^{SM} – Same Servicer, if the original appraisal or Automated Valuation Model (AVM) for the Mortgage being refinanced was used to determine the value of the property and Freddie Mac's review determines that this value is not supported, the Seller must provide written documentation to evidence how it was established that the value is at least equal to the value as determined using the appraisal or AVM for the Mortgage being refinanced
- Add a provision regarding Mortgage file requirements for Mortgages originated using any Electronic Records expressly permitted by Freddie Mac in the Guide or a Seller/Servicer's other Purchase Documents
- Add a requirement that when an existing lien is subordinated, a copy of the subordination agreement must be maintained in the Mortgage file. Section 25.2, *Refinance Mortgages with Secondary Financing*, has also been updated to reflect this new requirement. In addition, Section 25.1, *Purchase Mortgages with Secondary Financing*, has been updated to reflect the documentation requirements for concurrently originated secondary financing that already appear in Chapter 46.

Effective immediately, we have also updated Chapter 46 to permit the delivery of Mortgage files in electronic media, with prior approval from Freddie Mac.

We have also updated Sections A24.3, *Requirements for Freddie Mac Relief Refinance Mortgages^{SM} – Same Servicer*, and 39.2, *Title Insurance Policy Requirements*, to reflect these and other changes related to Mortgage file documentation requirements.

Sellers should review Chapter 46 and Sections A24.3, 25.1, 25.2 and 39.2 in their entirety for complete information on all changes to Freddie Mac's postfunding quality control review.

Chapter 48, *Seller's In-House Quality Control Program*

Effective December 1, 2011

Sound quality control procedures are an important part in developing responsible lending standards that help to ensure the success of Seller/Servicers and Borrowers throughout the life of a Mortgage. As part of our ongoing efforts to help Sellers deliver high-quality loans and reduce repurchases, Freddie Mac is updating Chapter 48 to add a new requirement for preclosing quality control reviews. This change will provide Sellers with the opportunity to identify and address deficiencies prior to loan closing. While Freddie Mac does not prescribe specific requirements for Sellers' preclosing quality control reviews, new Section 48.8, *Preclosing Quality Control Reviews*, was created to include best practices and guidance for an effective preclosing review process.

We are also enhancing requirements for postclosing quality control reviews, including, but not limited to:

- Requiring that Sellers' postclosing samples include random, targeted and discretionary sample types
- Requiring a more statistically-sound sampling methodology for Sellers that have an annual production of more than 5,000 loans and choose to utilize a statistically-based sampling methodology for their random sample selection process
- Requiring that for *all* Mortgages secured by Primary Residences that are selected for postclosing quality control review, the Seller must verify that the Borrower is occupying the Mortgaged Premises

Sellers should review the revised requirements in Chapter 48 to ensure that they have clear understanding of all changes.

For additional resources on responsible lending standards, Sellers may also access the Responsible Lending and the Power of Quality page on Freddie Mac's web site at: http://www.freddiemac.com/singlefamily/responsiblelending.html

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Freddie Mac Relief Refinance Mortgages – Open Access

Effective for Loan Prospector® submissions and resubmissions on or after September 1, 2011

We are announcing that Freddie Mac-owned Mortgages with a pool insurance credit enhancement are eligible for refinancing as Freddie Mac Relief Refinance Mortgages – Open Access. This change to the Freddie Mac Relief Refinance Mortgages – Open Access offering allows us to continue to provide expanded access to refinancing opportunities for Borrowers who are current on their Mortgage payments and whose homes have declined in value.

We have updated Section B24.2, *Eligibility Requirements, Eligible Mortgages and Ineligible Mortgages,* to reflect this change.

Mortgages secured by second homes and Investment Properties

We are revising our requirements for Mortgages secured by second homes and Investment Properties effective immediately to require that a Borrower not be affiliated with or related to the builder, developer or the property seller only for Mortgages for Newly Constructed Homes that are purchase transactions.

Sections 22.22, *Second Home Mortgages*, and 22.22.1, *Investment Property Mortgages*, have been updated to reflect this change.

Chapter 37, *Underwriting the Borrower*

Self-employment income

Effective for Mortgages with Delivery Dates on or after December 1, 2011

We have updated Section 37.13(b), *Self-Employed Income*, to remove the existing option of obtaining a letter from an accountant to confirm that the use of business assets for funds to close will not have a detrimental impact on the business. All other requirements related to the use of business assets for funds to close remain unchanged.

Other income documentation

In order to eliminate redundancies and achieve improved clarity, effective immediately, we have deleted the language regarding income continuance from the documentation requirements in Sections 37.22, *Streamlined Accept Documentation Requirements*, and 37.23, *Standard Documentation Requirements*, for "Other Income" categories.

Sellers should reference Section 37.13(c) for income continuance requirements regarding "Other Income," which continue to apply.

Chapter 22, *General Mortgage Eligibility*

Effective for Mortgages with Delivery Dates on or after December 1, 2011

In order for a Mortgage to qualify as a Mortgage on an owner-occupied property, at least one of the Borrowers must occupy the Mortgaged Premises as a Primary Residence as of the Delivery Date. Therefore, we have revised Section 22.16 to remove the qualification "to the best of the Seller's knowledge and belief" relating to whether the Borrower is occupying the Mortgaged Premises as a Primary Residence.

POOLING REQUIREMENTS

Revised pooling requirements for nonassumable Section 502 GRH Mortgages with LTV ratios greater than 105% under the fixed-rate Guarantor program

We are revising the pooling requirements for nonassumable Section 502 GRH Mortgages with LTV ratios greater than 105%. Effective for fixed-rate Guarantor contracts taken out on or after **August 16, 2011**, these Mortgages must be pooled in PC pools comprised entirely of Mortgages with LTV ratios greater than 105%.

Section 13.4, *Pooling Requirements for Gold PC Pools and Giant PC Pools*, Section 17.14, *Special Requirements for Section 502 GRH Mortgages*, Section A17.19, *Section 502 GRH Mortgages*, and Guide Exhibit 17S, *Mortgage Products Available Through the Selling System*, have been updated to reflect this change.

LOAN LIMITS

Expiration of temporary higher maximum loan limits

As we reminded Sellers in a Single-Family Update e-mail on July 18, 2011, Mortgages with Note Dates on or after **October 1, 2011** will no longer be eligible for the temporary higher loan limits defined by the American Recovery and Reinvestment Act of 2009 (ARRA) and extended to apply to Mortgages originated in 2010 and fiscal year 2011 by subsequent legislation ("Public Law Number 111-88 and Public Law Number 111-242"). Instead, super conforming Mortgages will be subject to the lower maximum loan limits determined according to the Housing and Economic Recovery Act of 2008 (HERA). Therefore, the maximum original loan amount for such a Mortgage secured by a 1-unit property in the highest cost counties (exclusive of those in Alaska, Hawaii, Guam and the U.S. Virgin Islands) will be $625,500, with higher limits applicable to Mortgages secured by 2- to 4-unit properties.

The HERA loan limits apply to super conforming Mortgages with Note Dates on or after October 1, 2011 and Freddie Mac Funding or Settlement Dates on or before **December 31, 2011**.

The loan limit requirements detailed above and reflected in the revised Guide text reflect current law and are subject to change by Congress. We will update our requirements to reflect any changes that may occur.

Later this year, the Federal Housing Finance Agency (FHFA) will provide new HERA loan limits for calendar year 2012, which will replace the 2011 HERA limits and apply to all Mortgages with Freddie Mac Funding/Settlement Dates on or after January 1, 2012 and on or before December 31, 2012. We will update the Guide to reflect those new limits when they are announced.

Section L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*, has been updated to reflect this change. Loan Prospector and the Freddie Mac Selling System ("Selling System") will also be updated at a future date to reflect changes in the loan limits.

MORTGAGE INSURANCE

Suspension of Republic Mortgage Insurance Co. and RMIC of North Carolina as approved Freddie Mac mortgage insurers

Pursuant to our Single-Family Update e-mail on August 2, 2011, Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, has been updated to reflect that the approved mortgage insurer status of Republic Mortgage Insurance Co. and RMIC of North Carolina (collectively, "RMIC") is suspended. Mortgages insured by RMIC with Note Dates before May 1, 2011, and on or after September 1, 2011, are no longer eligible for sale to Freddie Mac.

In addition, Mortgages insured by RMIC with Note Dates on or after May 1, 2011, and before September 1, 2011, must be delivered to Freddie Mac on or before **November 30, 2011**, whether for Borrower-paid or lender-paid insurance.

As an exception, Mortgages with existing RMIC certificates of insurance will continue to be eligible for sale to Freddie Mac if they are refinanced under the Freddie Mac Relief Refinance Mortgage – Same Servicer offering and the coverage is continued through modification of the existing mortgage insurance certificate. Section A24.4, *Delivery and Pooling Requirements*, has been updated to reflect this change.

As a reminder, except in limited circumstances, Section 61.7, *Transfers of Mortgage Insurance Coverage*, prohibits transfers of the mortgage insurance coverage that is in effect at the time a Mortgage is sold to Freddie Mac. Because none of those circumstances apply in this instance, Freddie Mac Servicers do not need to take any action in connection with Mortgages that have already been sold to us, whether at renewal of the insurance or otherwise.

Genworth authorized to use GRMAC as a Limited Insurer

As announced in a Single-Family Update e-mail on August 3, 2011, we have authorized Genworth to use GRMAC as a "Limited Insurer." We have also updated Exhibit 10 to reflect the appropriate MI codes and effective dates to use when delivering Mortgages with GRMAC commitments.

Sellers using the Selling System should use MI Code “01” for Mortgages with GRMAC commitments dated on or after **August 1, 2011.**

For Mortgages with GRMAC commitments issued on or before **July 31, 2011**, Sellers should continue to use MI Code “02.”

Exhibit 10 can be accessed on FreddieMac.com at
http://www.freddiemac.com/sell/guide/mortgage_insurers.html

Uniform Loan Delivery Dataset (ULDD) delivery requirements

With this Bulletin, we are updating Exhibit 10 to include the requirements for delivery of ULDD data.

As part of Freddie Mac's transition to the MISMO®-based loan delivery data requirements, we are reducing our dependence on delivery codes. Therefore, effective **March 19, 2012**, for Mortgages with Application Received Dates on or after December 1, 2011, Sellers must deliver the MI Company Name Type, instead of the MI Code required on Guide Form 11, *Mortgage Submission Schedule*, and Form 13SF, *Mortgage Submission Voucher*. Sellers must continue to deliver all other required mortgage insurance information in the appropriate fields.

The Exhibit 10 updated to reflect ULDD data delivery requirements can also be accessed on FreddieMac.com at **http://www.freddiemac.com/sell/guide/mortgage_insurers.html**

REMINDER – ELIGIBILITY REQUIREMENTS FOR FREDDIE MAC COUNTERPARTIES

In Bulletin 2010-23, we announced new eligibility requirements for approved counterparties, as well as new applicant requests.

As a reminder, Seller/Servicers approved prior to October 15, 2010 must maintain an Acceptable Net Worth of $2 million by September 30, 2011. Beginning June 30, 2012, these Seller/Servicers must maintain an Acceptable Net Worth of $2.5 million, plus a dollar amount equal to .25% of their Representation and Warranty Unpaid Principal Balance.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 6, 13, 17, A17, 22, A24, B24, 25, L33, 37, 39, 46 and 48
- Exhibits 10 and 17S
- Directory 2

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Delivery.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Bulletin

NUMBER: 2011-16

TO: Freddie Mac Servicers September 12, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing complete requirements related to the Freddie Mac Standard Modification ("Standard Modification"), which was previewed in a Servicer communication on August 16, 2011. The Standard Modification is part of the Servicing Alignment Initiative (SAI) and designed to serve as a workout option for Borrowers who are ineligible for the Home Affordable Modification Program (HAMP) or who have previously defaulted on a HAMP or other modification.

We are also pleased to announce that effective October 1, 2011, we are retiring MIDANET® for the PC ("MIDANET") for Servicing functions and removing references to it from Volume 2 of the Guide. In conjunction with the MIDANET retirement, effective October 1, 2011, we are reorganizing Guide Chapters 76 through 79 and replacing existing Chapter 83, *Additional Servicing Requirements for Maturing Balloon/Reset Mortgages*, with new and reorganized Chapter A83.

Other changes

With this Bulletin, we are also making the following changes to our **Servicing requirements**:

- In conjunction with the retirement of MIDANET, discontinuing the automated conversion process for Convertible ARMs
- Updating our SAI requirements related to the suspension of foreclosure actions, Borrower contact and the verification of occupancy for non-Borrowers
- Providing guidance on foreclosure suspension for Borrowers approved for assistance under the Hardest Hit Fund initiative and the Department of Housing and Urban Development's (HUD) Emergency Homeowners' Loan Program (EHLP)
- Requiring Servicers to use Kentucky and Minnesota designated counsel for foreclosure and bankruptcy referrals on Mortgages secured by 2- to 4-unit properties and Manufactured Homes located in those States

STANDARD MODIFICATION

As a follow up to Bulletin 2011-11 announcing the SAI, and the information published on August 16, 2011 regarding preliminary requirements, we are providing complete requirements for the Standard Modification. Servicers must comply with the requirements announced in this Bulletin and should not depend on the previously announced preliminary requirements, which were intended only as a preview of the Standard Modification. The Standard Modification will replace the Debt Coverage Ratio modification currently offered in Chapter B65, *Workout Options*, and Workout Prospector®, which will be hereafter referred to as Freddie Mac's "Classic Modification."

Guide Sections B65.11 through B65.26 have been substantially revised to incorporate the requirements related to the Standard Modification, including:

- Borrower eligibility, property eligibility and Mortgage eligibility and ineligibility
- Evaluating a Borrower for imminent default
- Borrower documentation requirements
- Property valuation requirements
- Determining the modification terms
- Trial Period Plan requirements
- Processing and closing the modification
- Reporting requirements

In addition to the changes to Sections B65.11 through B65.26:

- A model letter has been developed for the Standard Modification Trial Period Plan Borrower Evaluation Notice, which is a template of the terms Servicers must send to Borrowers approved for a Standard Modification Trial Period Plan, and is available in Guide Exhibit 93, *Evaluation Model Clauses*
- Guide Form 1128, *Loss Mitigation Transmittal Worksheet*, ("LMTW") has been revised to provide specific instructions for submitting data for the Standard Modification and to eliminate the requirement that Servicers sign and date the LMTW prior to submitting it to Freddie Mac
- We have provided Exhibit 95, *Freddie Mac Standard Modification Exception Transmittal*, a template that contains the information we require for exception requests submitted to Freddie Mac in connection with the Standard Modification that Servicers may use temporarily until Workout Prospector is available to process such requests. Once Workout Prospector is updated to process the Standard Modification including associated exception requests, Servicers may no longer use Exhibit 95. Servicers may access the transmittal on our Standard Modification web page at **http://www.freddiemac.com/singlefamily/service/standard_modification.html**
- Exhibit 82, *EDR Transmission Code List*, has been updated to reflect required Standard Modification specific default action codes. Servicers must report Standard Modification activity using the following codes as applicable by the third Business Day of each month for the previous month's activity:
  - "HD" to notify Freddie Mac that the Borrower is being evaluated for the Standard Modification
  - "HE" to notify Freddie Mac that the Borrower is ineligible for a Standard Modification
  - "BF" to notify Freddie Mac that the Borrower has entered a Trial Period for the Standard Modification
- Section 65.42, *Compensation Program*, has been updated to reflect tiered Servicer incentives related to Standard Modifications

Effective date

For all modification evaluations conducted on or after **January 1, 2012**, Servicers must evaluate Borrowers for a Standard Modification Trial Period Plan in accordance with the Guide's evaluation hierarchy for alternatives to foreclosure.

Servicers may begin evaluating Borrowers for Standard Modifications prior to January 1, 2012, provided that:

- Trial Period Plans do not start earlier than October 1, 2011
- The Servicer has the capability to report the Trial Period Plan to Freddie Mac in accordance with the Guide. If a Servicer's system is not updated to report the Trial Period Plan, it may manually report the data to Freddie Mac using the Freddie Mac Service Loans application ("Service Loans application") in the interim.
- The permanent Standard Modification has a first modified payment due date on or after January 1, 2012

Once a Servicer begins evaluating Borrowers for Standard Modifications, it may no longer evaluate Borrowers for Classic Modifications.

Evaluations being conducted for Classic Modifications must be completed and approved by December 31, 2011. **All Classic Modifications approved prior to December 31, 2011 must settle no later than February 28, 2012 and Servicers must submit the LMTW for such settlements in accordance with the Guide no later than March 6, 2012**.

Delegation

All Servicers are delegated to approve Standard Modifications in accordance with the Guide requirements.

Section B65.4, *Approval Authority*, has been updated to reflect this delegation of authority.

Workout Prospector

Unless otherwise directed by Freddie Mac, Servicers must use Workout Prospector once it is available to process Standard Modifications. Workout Prospector will be updated and available to process Standard Modifications by January 1, 2012. If a Servicer implements the Standard Modification prior to January 1, 2012, it should manually underwrite or process the terms of the modification using its proprietary system (or a third-party system) and submit those terms into Workout Prospector once it becomes available.

Transfers of Servicing

When a Transfer of Servicing includes Mortgages in a Standard Modification Trial Period, the Transferor Servicer must advise the Transferee Servicer that Mortgages in a Trial Period are part of the portfolio being transferred and must confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of such Mortgages.

Form 981, *Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages*, and Section 56.5, *Additional Requirements for Transfers of Servicing*, have been updated to reflect these changes.

FREDDIE MAC SERVICE LOANS APPLICATION REPLACES MIDANET FOR THE PC FOR SERVICING FUNCTIONS

Effective October 1, 2011

In Bulletin 2011-1, we introduced the Service Loans application, a web-based application that replaces MIDANET for the PC for Servicing functions. Migration to the Service Loans application began in April 2011, with Freddie Mac contacting Servicers to schedule a specific migration date. Terms and conditions for application use were announced in Bulletin 2011-3.

Since all Servicers will be migrated to the Service Loans application by September 30, 2011, we are announcing the retirement of MIDANET for Servicing functions and removing all references to MIDANET from applicable sections of Volume 2 of the Guide effective October 1, 2011.

Rewrite of Chapters 76 through 79

We have taken this opportunity to reorganize Chapters 76, *Basics of Investor Accounting*, 77, *Establishing Investor Accounting Functions*, 78, *Reporting and Remitting Requirements*, and 79, *Managing Custodial Accounts*, to improve readability and eliminate redundancies. These changes do not affect the requirements in these chapters.

New Chapter A83 and deletion of Exhibit 85

We are also updating and reorganizing the provisions of Chapter 83, but again we are not changing any requirements in that chapter. However, because the MIDANET changes are so extensive, we are retiring existing Chapter 83, and replacing it with new Chapter A83, *Additional Servicing Requirements for Maturing Balloon/Reset Mortgages*, effective October 1, 2011, the effective date of the retirement of MIDANET for Servicing functions.

Related to this update, effective October 1, 2011, we have deleted Exhibit 85, *Special Reset Mortgage Title Insurance Information*. This exhibit included outdated information about specific Reset Mortgage title insurance that was previously only offered by a limited number of title insurers, and is now more widely available.

Servicing Balloon/Reset Mortgages manual and Document Custody Procedures Handbook updates

We are in the process of updating the Servicing Balloon/Reset Mortgages manual ("Balloon/Reset Manual") to reflect the retirement of MIDANET, the implementation of the Service Loans application and the new Chapter A83 references. We expect to have the updated Balloon/Reset Manual posted in advance of the October 1, 2011 MIDANET retirement effective date.

The Document Custody Procedures Handbook will also be updated to reflect the revised Guide references related to certification of Reset Mortgage documentation.

Form 59 and Form 59E reminder

We are reminding Servicers that in connection with Form 59, *Principal and Interest Custodial Account Reconciliation –Monthly Account Statement*, and Form 59E, *Escrow Custodial Reconciliation Worksheet – Monthly Account Statement*, the Servicer's employee who prepared the form may not also approve the form. The instructions to these forms have been revised to highlight this requirement.

Additional revisions to forms and exhibits related to MIDANET retirement

In addition to the changes highlighted above, Exhibit 61, *Interest and Principal Due Freddie Mac*, has been updated to reflect the retirement of MIDANET for Servicing, as have the following forms: Form 479A, *Single-Family Servicing Agent Certification;* Form 1034B, *Custodial Certification Schedule – Balloon Loan Modification*; Form 1128; and Form 1130, *Balloon/Reset Mortgage Exception Transmittal*.

Discontinuation of automated conversion process for Convertible ARMs

Effective October 1, 2011, we are discontinuing the automated conversion process for convertible ARMs. This process was available only through MIDANET and is not currently available with the Service Loans application. Until further notice, Servicers will be required to process the conversion of all Convertible ARMs through the repurchase/resale process.

Section 30.10, *Conversion Process for Convertible ARMs*, and Chapter 80, *Special Servicing and Reporting Requirements for ARMs*, have been updated to reflect this change.

SERVICING ALIGNMENT INITIATIVE UPDATES

Effective October 1, 2011

In Bulletin 2011-11, Freddie Mac announced its implementation of the SAI to streamline and simplify Servicing requirements and processes, in accordance with the Federal Housing Finance Agency (FHFA) directive to Freddie Mac and Fannie Mae.

With this Bulletin, we are updating our SAI requirements related to the suspension of foreclosure actions, Borrower contact and the verification of occupancy for non-Borrowers. Additionally, we updated Section 65.17, *Verifying a Borrower's Hardship,* to provide an example of an eligible distant employment transfer hardship to include service members who receive Permanent Change of Station orders.

Suspension of foreclosure actions

We are updating our foreclosure suspension requirements to provide the following:

- Servicers may postpone referral to foreclosure up to 10 days to provide additional time for the Borrower to submit a complete Borrower Response Package if it has received a Borrower Response Package that is only missing the hardship documentation ("substantially complete Borrower Response Package"). If the Borrower submits the missing hardship documentation within this 10-day period, the Servicer must postpone referral to foreclosure for up to an additional 30 days to complete its evaluation of the Borrower Response Package.
- If the Mortgage is subject to judicial proceedings and the Servicer receives a complete Borrower Response Package no later than 30 days after the Post-Referral to Foreclosure Solicitation Letter is sent, then the Servicer must delay filing a motion for judgment, or if the motion has been filed, must file a request that the court delay a hearing or ruling on that motion as permitted under State or local law, for up to an additional 30 days to allow the Servicer to review the complete Borrower Response Package and notify the Borrower and the court of the decision.
- If the Servicer makes an alternative to foreclosure offer to the Borrower, and the expiration of the 14-day Borrower response period will occur on or after a scheduled foreclosure sale date, it must not provide the certification to the foreclosure attorney/trustee and must make every effort to suspend the foreclosure sale up to 14 days where permitted under applicable federal, State or local law.
- Servicers must obtain Freddie Mac's approval to postpone a foreclosure sale for any Mortgage that is greater than 12 months delinquent. In the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure time lines without consideration given to the Servicer's postponement of the foreclosure sale.

We have also updated the Guide to include the acceptable methods a Borrower may use to demonstrate his or her intent to accept an alternative to foreclosure offer, and to indicate that a Borrower's verbal intent to accept an offer is not effective if the offer for an alternative to foreclosure is made less than 37 days prior to a scheduled foreclosure sale. Servicers should make appropriate changes to the Model Evaluation Clauses to delete the reference to verbal intent to accept if an offer is made less than 37 days prior to a scheduled foreclosure sale.

We currently require Servicers to instruct the foreclosure attorney/trustee to send the post-referral to foreclosure solicitation letter within five Business Days following the referral to foreclosure, but no later than the 125th day of delinquency. As a result of the updated requirements for postponing a referral to foreclosure, we have revised the post-referral to foreclosure solicitation requirement to provide that Servicers must instruct the foreclosure attorney/trustee to send the post-referral to foreclosure solicitation letter within five Business Days following the referral to foreclosure.

Sections 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication,* 66.9.1, *When to Initiate Foreclosure on a First-Lien or a Second Mortgage/Home Improvement Loan (HIL),* 66.32.1, *Foreclosure Sale Postponement,* and 66.41, *Complete Borrower Response Packages Received after the Foreclosure Sale has been Scheduled,* have been updated to reflect these changes.

Borrower contact

We are updating Sections 64.5, *Collection Efforts,* and 64.6, to provide updated requirements related to Borrower contact, including the requirement that, once an offer for an alternative to foreclosure is sent to the Borrower, the Servicer must make a follow-up call to the Borrower at least every third day until contact is made during the 14-day Borrower response period. If the 14-day response period to an offer has expired without a Borrower response, the Servicer must continue with follow-up calls every three days until the Borrower:

- Acknowledges an intent to accept the offer; or
- Enters into a repayment plan, forbearance agreement or Trial Period Plan; or
- Indicates that he or she is no longer interested in pursuing an alternative to foreclosure

Verification of occupancy for non-Borrowers

The Guide requires a standard set of income documentation that Borrowers must provide in order to be considered for a modification or other workout option. Non-Borrower income is considered an acceptable source of income subject to certain conditions, including the requirement that the non-Borrower occupies the property as a Primary Residence. With this Bulletin, we are revising our requirements to provide greater flexibility on the documentation that may be used to verify the occupancy of a non-Borrower. Effective October 1, 2011, Servicers may verify that the non-Borrower occupies the property as a Primary Residence based on a review of a credit report or other documentation (e.g., utility bills, pay stubs, benefits statements).

FORECLOSURE SUSPENSION

Effective immediately

State Housing Finance Agencies

In Bulletin 2010-25, we provided requirements that direct Servicers to suspend foreclosure actions (foreclosure referral and sale) for a period of 45 days once the Servicer is notified that a Borrower is conditionally approved for mortgage assistance under a Housing Finance Agency's (HFA) unemployment or reinstatement mortgage assistance program. Foreclosure actions are suspended unless the HFA notifies the Servicer that the Borrower has been determined ineligible for assistance.

With this Bulletin, we are reminding Servicers that if State law requires suspension of foreclosure for a period that exceeds 45 days, Servicers must comply with State law. Further, we are amending our requirements to permit Servicers to suspend foreclosure actions (referral and sale) for a period exceeding 45 days, as necessary, to facilitate the processing of mortgage assistance and receipt of funds, provided that the Servicer follows up with the HFA on a regular basis to determine (i) whether the Borrower is still eligible for mortgage assistance and (ii) when such funds will be received.

Department of Housing and Urban Development's Emergency Homeowners' Loan Program

In Bulletin 2011-12, Freddie Mac provided foreclosure suspension requirements in connection with Servicer participation in HUD's EHLP. We required Servicers to suspend foreclosure proceedings once notified that a Borrower has been approved for EHLP assistance. With this Bulletin, we are amending this requirement to permit Servicers to suspend foreclosure actions (referral and sale) prior to notification of approval, if necessary, to comply with State law, or to comply with its Memorandum of Understanding (MOU) between HUD and the Servicer to participate in EHLP.

DESIGNATED COUNSEL FOR KENTUCKY AND MINNESOTA

We have expanded our Designated Counsel Program to include Kentucky and Minnesota.

Servicers must use the Kentucky and Minnesota designated counsel for new foreclosure and bankruptcy referrals initiated on or after **October 1, 2011**, for Mortgages secured by 2- to 4-unit properties and Manufactured Homes located in those States. Although the requirement goes into effect on

October 1, 2011, Servicers may refer new foreclosures and bankruptcies to our Kentucky and Minnesota designated counsel immediately.

We have revised Sections 66.15, *How to Select Foreclosure Counsel or Trustee*, and 67.15, *Selecting Bankruptcy Counsel*, as well as Exhibits 57A, *Approved Attorney Fees and Title Expenses*, and 79, *Designated Counsel/Trustee*, to reflect this change.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 18, 30, 33, 50, A50, 51, 55, 56, 61, 64, 65, B65, C65, D65, 66, 67, 70, 71, A71, 72, 76, 77, 78, 79, 80 and A83
- Forms 59, 59E, 479A, 981, 1034B, 1074, 1128 and 1130
- Exhibits 57A, 61, 79, 82, 85, 93 and 95
- Glossary
- Directories 3, 5, 7 and 9

TRAINING

A suite of training materials and reference documents are available to support the SAI requirements. To further that goal, we are offering webinar training to help ensure our Servicers understand the requirements announced in this Bulletin. Servicers are highly encouraged to enroll in our new webinar, *Freddie Mac's Standard Modification*, through Freddie Mac's Learning Center. Information is available at
http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=SAI_FMSM

Servicers should continue to visit the Learning Center web page at **http://www.freddiemac.com/learn/service/** for additional Servicing training information resources.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-17

TO: Freddie Mac Servicers September 30, 2011

SUBJECT: UPDATES TO POST-REFERRAL TO FORECLOSURE SOLICITATION LETTER

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are eliminating Guide Exhibit 94, *Post-Referral to Foreclosure Solicitation Letter*, which was a model post-referral to foreclosure solicitation letter, due to the many differences in applicable laws that would require modification of the content of the letter.

As described in the Guide, Servicers must instruct the foreclosure attorney/trustee to send the Borrower a post-referral to foreclosure solicitation letter that reflects the content described in Guide Sections 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, and 66.9.2, *Solicitation during the Foreclosure Process*. Servicers must continue to consult with their foreclosure attorneys/trustees, who, in their discretion to the extent the foreclosure attorneys/trustees deem necessary, may draft the solicitation letter to meet the requirements of the Guide and to ensure that the content and timing of the letter comply with applicable law.

Effective immediately, we are also providing that in jurisdictions where as part of the mediation or settlement conference process the Borrower must receive a written request to participate in the process, the post-referral solicitation letter may be waived at the foreclosure attorney's/trustee's discretion.

In a subsequent Bulletin, Sections 64.6 and 66.9.2 will be updated to include the provision above and the Guide will be updated to remove all references to Exhibit 94.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Hagen Mooney

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-18

TO: Freddie Mac Sellers | October 14, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are providing the following updates to our **selling requirements**:

Seller/Servicer approval

- Revising our eligibility requirements to specify that wholly owned subsidiaries of Seller/Servicers that are non-depository and/or non-regulated institutions must obtain a separate Freddie Mac approval in order to do business with Freddie Mac

Mortgage eligibility and credit underwriting

- Clarifying that a Freddie Mac Relief Refinance Mortgage℠ – Same Servicer may be originated by an Affiliate of the Seller, in addition to the Seller
- Providing guidance regarding 2011 area median income changes

Property eligibility and appraisal requirements

- Updating the purchase requirements for Mortgages secured by properties with resale restrictions, including age-restricted properties and properties subject to inclusionary zoning
- Providing additional guidance regarding use of data submitted to the Uniform Collateral Data Portal® (UCDP®)

Delivery requirements

- Requiring Warehouse Lenders to provide Freddie Mac with a certificate of incumbency (new Guide Form 990SF, *Warehouse Provider Certificate of Incumbency: Corporation or Limited Liability Company Certificate*) and a copy of resolutions by the board of directors or other governing body, as applicable
- Updating Forms 987 and 987E, *Wire Transfer Authorization for a Cash Warehouse Delivery*, to require the Warehouse Lender's federal tax identification number
- Revising the requirements for delivery of super-conforming Mortgages under fixed-rate Cash Contracts

Mortgage insurance

- Providing additional information about the suspension of PMI Mortgage Insurance Co. and its wholly owned subsidiaries announced on August 22, 2011

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

SELLER/SERVICER APPROVAL

Effective February 1, 2012

We are revising our eligibility requirements to specify that wholly owned subsidiaries of Seller/Servicers that are non-depository and/or non-regulated institutions (such as Mortgage Bankers) must obtain a separate Freddie Mac approval in order to do business with Freddie Mac.

The Glossary definition of "Seller/Servicer" and Guide Section 4.1, *General*, have been updated to reflect this change.

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Relief Refinance Mortgages – Same Servicer

We are clarifying Section A24.3, *Requirements for Freddie Mac Relief Refinance Mortgages℠ – Same Servicer*, to state that the new refinance Mortgage must be originated by the Seller or an Affiliate of the Seller.

Area median income

As announced in a Single-Family Update e-mail on September 21, 2011, the Federal Housing Finance Agency has issued the area median income estimates for 2011.

Sellers may use the 2011 estimates immediately, but must use them to originate Home Possible® Mortgages delivered to Freddie Mac on or after **December 1, 2011**. Both Loan Prospector® and the Affordable Income & Property Eligibility tool – available on FreddieMac.com at **http://ww3.freddiemac.com/ds2/sell/affgold.nsf/frmHomePage?OpenForm** – have been updated to reflect the 2011 area median income estimates.

PROPERTY ELIGIBILITY AND APPRAISAL REQUIREMENTS

Purchase requirements for Mortgages secured by properties with resale restrictions

We are updating and consolidating the purchase requirements for Mortgages secured by properties with resale restrictions, including age-restricted properties and properties subject to inclusionary zoning. All the requirements for Mortgages secured by properties with resale restrictions will now be contained in Section 22.25, *Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions.*

Sections 22.23, *Inclusionary Zoning*, and 22.24, *Purchase Requirements for Mortgages Secured by Properties without Resale Restrictions*, have also been updated to reflect these changes.

Information and data submitted to the Uniform Collateral Data Portal

Effective for all Mortgages with appraisals submitted to the UCDP

We have updated Section 44.21, *Electronic Transmission of Appraisal and Inspection Reports; Information and Data Submitted to the Uniform Collateral Data Portal*, to specify that Freddie Mac has the right to use all information and data submitted to the UCDP and designated for delivery to Freddie Mac.

DELIVERY REQUIREMENTS

Pre-purchase financing controls

Effective February 1, 2012

We are requiring each Warehouse Lender to provide Freddie Mac with a certificate of incumbency (new Form 990SF) and a copy of resolutions by the board of directors or other governing body, as applicable, authorizing the persons listed on the certificate of incumbency to instruct Freddie Mac to transfer funds on behalf of the Warehouse Lender. In addition to Form 990SF, we have added Form 990ASF, *Warehouse Provider Addendum to Certificate of Incumbency: Corporation or Limited Liability Company Certificate*, which must also be submitted with Form 990SF, when applicable.

The person who executes the Form 996 or 996E, *Warehouse Provider Release and Transfer*, must be authorized by the Warehouse Lender on Form 990SF to provide Freddie Mac with instructions (or to modify instructions) to transfer funds on behalf of the Warehouse Lender in connection with Freddie Mac's purchase of Mortgages from the Seller.

Guide Chapter 19, *Warehouse Financing Arrangements*, has been updated to reflect these changes.

We have also revised Forms 987 and 987E, to require that Sellers provide the Warehouse Lender's federal tax identification number. The Warehouse Lender's federal tax identification number and full legal name must match the information provided by the Warehouse Lender on the Form 990SF.

Sellers that wish to establish new Warehouse Lender wiring instructions, via Form 987 or 987E, must begin using the new forms **immediately.**

Sellers that have previously submitted Forms 987 or 987E and have existing wiring instructions set up with their Warehouse Lenders may begin using the new forms to submit updated instructions on November 1, 2011.

All Warehouse Lender wiring instructions for all Sellers must be set up and completed using the new Forms 987 or 987E by **February 1, 2012**. Any Seller that has not submitted updated forms with the required federal tax identification numbers will not be able to continue using these Warehouse Lenders after February 1, 2012.

Super conforming Mortgages - fixed-rate Cash Contracts

Effective February 1, 2012

We are revising our requirements for delivery of super conforming Mortgages under fixed-rate Cash Contracts to require that the unpaid principal balance (UPB) of all 15-, 20- and/or 30-year super conforming Mortgages delivered by the Seller during any month not exceed the greater of:

- $2 million in aggregate; or
- 10% of the UPB of each particular Mortgage product (15-, 20- and/or 30-year fixed-rate) delivered by the Seller under fixed-rate Cash Contracts during such month

Sections 17.44 and A17.39, *Super Conforming Mortgages*, have been updated to reflect this change.

MORTGAGE INSURANCE

Suspension of PMI Mortgage Insurance Co. and its wholly-owned subsidiaries as approved Freddie Mac mortgage insurers

As announced in a Single-Family Update e-mail on August 22, 2011, Guide Exhibit 10, *Freddie Mac-Approved Mortgage Insurers*, has been updated to reflect that the approved mortgage insurer status of PMI Mortgage Insurance Co. and its wholly-owned subsidiaries including PMI Insurance Co. and PMI Mortgage Assurance Co. (collectively, "PMI"), is suspended. Mortgages insured by PMI with Note Dates before May 19, 2011, and after September 16, 2011, are no longer eligible for sale to Freddie Mac.

In addition, Mortgages insured by PMI with Note Dates on or after May 19, 2011, and on or before September 16, 2011, must be delivered to Freddie Mac on or before **December 30, 2011**, regardless of whether the Mortgage has Borrower-paid or lender-paid mortgage insurance.

As an exception, a Mortgage with an existing PMI certificate of insurance will be eligible for sale to Freddie Mac if it is refinanced as a Freddie Mac Relief Refinance Mortgage – Same Servicer or Relief Refinance Mortgage – Open Access and the coverage is continued through modification of the existing mortgage insurance certificate. Sections A24.4, *Delivery and Pooling Requirements*, and B24.4, *Delivery and Pooling Requirements*, have been updated to reflect this change.

As a reminder, except in limited circumstances, Section 61.7, *Transfers of Mortgage Insurance Coverage*, prohibits transfers of the mortgage insurance coverage that is in effect at the time a Mortgage is sold to Freddie Mac. Because none of those circumstances apply in this instance, Freddie Mac Servicers do not need to take any action in connection with Mortgages that have already been sold to us, whether at renewal of the insurance or otherwise.

DIRECTORY 2

We have revised Directory 2 to reflect updated contact information for our Quality Control department.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 4, 17, A17, 19, 22, A24, B24 and 44
- Forms 987, 987E, 990ASF and 990SF
- Glossary
- Directory 2

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Delivery.

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-19

TO: Freddie Mac Servicers October 26, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making the following updates to our **Servicing requirements**:

- Permitting Servicers to use the results from statistical models that predict the relative likelihood of worsening Delinquency amongst Borrowers for the purpose of assisting the Servicer in tailoring its collection and solicitation efforts ("Collection and Loss Mitigation Tools"), such as initiating calling campaigns for high risk Borrowers earlier in the Delinquency or electing not to send a Borrower Solicitation Package between day 31 – 35 of Delinquency for low risk Borrowers
- Requiring Servicers to continue solicitation and collection efforts when a Borrower who was less than 60 days delinquent at the time of evaluation and did not qualify for any alternative to foreclosure subsequently becomes 60 days delinquent
- Reminding Servicers that although Guide Exhibit 94, *Post-Referral to Foreclosure Solicitation Letter*, has been removed from the Guide in accordance with Bulletin 2011-17, Servicers are still required to instruct the foreclosure attorney/trustee to send a post-referral to foreclosure solicitation letter to the Borrower to the extent permitted by and in accordance with applicable law
- Providing additional guidance on completing Guide Form 710, *Uniform Borrower Assistance Form*, for situations where a Borrower has a hardship that is affecting his or her ability to make a payment and such hardship is not listed on Form 710
- Introducing a tiered incentive fee structure for all permanent Home Affordable Modification Program (HAMP) modifications with a Trial Period Plan Effective Date on or after October 1, 2011
- Notifying Servicers that Spanish translations for certain Borrower solicitation documents are now available to assist Servicers in solicitation efforts

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

SOLICITATION REQUIREMENTS

Use of a Collection and Loss Mitigation Tool

We have updated the solicitation requirements introduced in Bulletin 2011-11 to allow Servicers to use the results from a Collection and Loss Mitigation Tool (also sometimes referred to as "Collection and Loss Mitigation Behavioral Model Tools") to tailor its collection and solicitation efforts, including determining when calling campaigns should begin and when the initial Borrower Solicitation Package must be sent.

If the results of a Collection and Loss Mitigation Tool indicate that a non-performing Mortgage is at a low risk for worsening Delinquency, Servicers may choose not to send the Borrower Solicitation Package between days 31 – 35 of Delinquency. However, Servicers using a Collection and Loss Mitigation Tool are still required to send a Borrower Solicitation Package between days 61 – 65 of Delinquency and must require attorneys and trustees to send the post-referral to foreclosure solicitation letter to the extent permitted by and in accordance with applicable law, where the Mortgage has been referred to foreclosure.

Additionally, the performance standards for obtaining a complete Borrower Response Package as set forth in Section 65.8, *Performance Standards,* will not change if a Servicer elects not to solicit Borrowers between days 31 – 35 of Delinquency.

Servicers using a Collection and Loss Mitigation Tool to determine when to begin calling campaigns and when to mail the initial Borrower Solicitation Package must make the model specifications and code as well as any analysis demonstrating its predictions of the likelihood of worsening Delinquency available to Freddie Mac upon request.

Servicers must conduct periodic reviews to ensure the effectiveness of the Collection and Loss Mitigation Tool, including compliance with applicable laws, including anti-discrimination laws. Freddie Mac reserves the right to require a Servicer to discontinue the use of a Collection and Loss Mitigation Tool for Freddie Mac Mortgages.

If a Servicer does not use a Collection and Loss Mitigation Tool, the Servicer's collection and solicitation efforts must meet or exceed the minimum standards set forth in Chapter 64, *Delinquencies*.

Sections 64.5, *Collection Efforts*, and 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, have been updated to reflect this change.

Continued solicitation and collection efforts for Borrowers who are 60 days delinquent

If a Servicer previously determined that a Borrower who was less than 60 days delinquent at the time of evaluation did not qualify for any alternative to foreclosure and the Borrower subsequently becomes 60 days delinquent, then the Servicer must continue its solicitation and collection efforts with such Borrower in accordance with the requirements of Chapter 64.

Sections 64.5 and 64.6 have been updated to reflect this change.

Post-referral to foreclosure solicitation letter

We are also reminding Servicers that Exhibit 94 has been removed from the Guide.

Servicers must instruct the foreclosure attorney/trustee to send a post-referral to foreclosure solicitation letter to the Borrower in accordance with Sections 64.6 and 66.9.2, *Solicitation during the Foreclosure Process*; however, Servicers, foreclosure attorneys and trustees may no longer rely on the former model letter.

In addition, the foreclosure attorney/trustee may modify the content of the post-referral to foreclosure solicitation letter, send the letter at a later date, or opt not to send the letter as necessary to comply with applicable federal, State and local law.

Sections 64.5, 64.6 and 66.9.2 have been updated to reflect these changes. We have also updated the Guide to remove all references to Exhibit 94.

COMPLETING HARDSHIP INFORMATION ON THE UNIFORM BORROWER ASSISTANCE FORM (FORM 710)

In Bulletin 2011-11 we introduced Form 710, which includes a hardship affidavit for which the Borrower is required to provide a written explanation describing the specific nature of the Borrower's current hardship.

If a Borrower believes he or she has a hardship that is affecting his or her ability to make a Mortgage payment and the hardship reason is not one of the options on Form 710 (which provides a list of the same

eligible hardships identified in Section 65.17, *Verifying a Borrower's Hardship)*, the Borrower should not check any of the hardship reasons on Form 710 because the reasons do not apply. Instead, the Servicer must advise the Borrower to provide details of the hardship in the Borrower's written explanation and provide relevant documentation to support the Borrower's explanation of the hardship. If the Servicer determines that the Borrower's hardship caused an increase in the Borrower's expenses or a decrease in the Borrower's income due to circumstances outside the Borrower's control, and that a particular alternative to foreclosure is appropriate to address the hardship, the Servicer should proceed with the alternative to foreclosure, provided all other eligibility criteria are met for that particular alternative to foreclosure.

Section 65.17 has been updated to include this guidance.

HAMP INCENTIVES

For all permanent HAMP modifications with a Trial Period Plan Effective Date on or after October 1, 2011, Freddie Mac will pay the Servicer on a tiered incentive structure, which is based on the number of days the Mortgage is delinquent as of the Trial Period Plan Effective Date.

Servicer incentives will be paid upon successful completion of the HAMP modification, as follows:

Number of Days Delinquent at Trial Period Plan Effective Date	**Incentive Amount**
Less than or equal to 120 days delinquent (150 days from Due Date of Last Paid Installment (DDLPI))	$1,600
121 days or more delinquent to and including 210 days delinquent (151 to 240 days from DDLPI)	$1,200
Greater than 210 days delinquent (greater than 240 days from DDLPI)	$400

For Trial Period Plans with a Trial Period Plan Effective Date on or after October 1, 2011, Freddie Mac will no longer pay the additional $500 incentive fee on Mortgages where the Borrower was current under the original Mortgage prior to the Trial Period Plan Effective Date.

Section C65.9*, HAMP Incentives*, has been updated to reflect this change. Pay for Success incentives remain unchanged.

Notwithstanding Section 64.1, *Overview*, the above changes related to HAMP incentive fee structure also apply to Mortgages reported through the Freddie Mac Alternative Collateral Deal (ACD) system.

SPANISH TRANSLATED SOLICITATION DOCUMENTS

Spanish translations for certain Borrower solicitation documents are now available to assist Servicers in their solicitation efforts. Servicers may use the Spanish translated documents to support efforts to obtain the required completed and signed English-language documents from the Borrower.

We have posted the following documents in Spanish on the Borrower Solicitation Documents web page:

- Exhibit 1131s, *Borrower Solicitation Letter – 31 Days Delinquent*
- Exhibit 1161s, *Borrower Solicitation Letter – 61 Days Delinquent*
- Form 710s, *Uniform Borrower Assistance Form*

As a reminder, the Spanish translation of Guide Form 710, *Uniform Borrower Assistance Form,* is for reference only and may not be executed by the Borrower or otherwise used in lieu of the English-language form. The Servicer must only obtain a completed and signed English-language Form 710 from the Borrower.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact Chapters 64, 65, C65 and 66.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Bulletin

NUMBER: 2011-20

TO: Freddie Mac Servicers November 1, 2011

SUBJECTS

In Bulletin 2011-13, we provided Servicers with a preview of future enhancements to the Freddie Mac Servicing Success Program. With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing certain enhancements to the Freddie Mac Servicer Success Scorecard and Servicer Performance Profile web site. We are also clarifying our remedies in the event of a termination of Servicing.

FREDDIE MAC SERVICER SUCCESS SCORECARD

Freddie Mac Servicer Success File Reviews

In **February 2012**, criteria relating to the Servicer Success File Reviews will be added to the Scorecard. Servicers should familiarize themselves with the requirements in Section 51.9.1, *Freddie Mac Servicer Success File Reviews*, which were introduced in Bulletin 2011-13. The data will be included in the Scorecard only for those Servicers that receive a File Review. The following new criteria will be included in the Scorecard:

- **Prudent Servicing Review**: An assessment of the Servicer's collection activities, loss mitigation activities, timeline management, and property preservation processes
- **Short Sale Compliance Review**: An assessment of the Servicer's compliance with the requirements of the Guide and other Purchase Documents, as applicable, regarding completed short sales
- **Loan Modification Compliance Review**: An assessment of the Servicer's compliance with the requirements of the Guide and other Purchase Documents, as applicable, regarding completed modifications

Servicers are reminded that if Freddie Mac has completed a File Review, the File Review results may be a factor in Freddie Mac's assessment of the Servicer's overall performance.

Rankings

As stated in Bulletin 2011-13, a Servicer's performance will be measured and ranked in two categories: investor reporting and remitting, and default management. Beginning in **February 2012** the following enhancements will be implemented:

- Servicers that receive Scorecards with individual performance requirements for all criteria will be removed from the rankings. These Servicers will continue to be measured against their individual performance requirements.
- In addition to the Early Collections Roll Rate criterion, the ranking for four of the nine default management criteria (identified below) will be based on the Servicer's performance compared to a synthetic portfolio's performance

As described in Bulletin 2011-13, Freddie Mac creates a synthetic portfolio for each Servicer that matches the composition of the Servicer based on key Mortgage characteristics such as delinquency status, geographic location, current loan to value, Mortgage purpose, product type, year of origination, original unpaid principal balance amount and occupancy status. Freddie Mac then calculates the difference between the Servicer's performance and that of the synthetic portfolio for each of the five criteria. By basing the rank on the Servicer's performance compared to its synthetic portfolio, Freddie Mac is able to minimize the impact that portfolio composition differences among Servicers may have on rankings. A list of the five criteria can be found at the end of this section.

In the default management category, a Servicer will only be ranked if it is Servicing a minimum number of Mortgages that are 90 or more days delinquent.

The performance criteria, weightings, and rankings for each Servicer are published monthly in the Servicer Success Scorecard at **http://www.freddiemac.com/singlefamily/service/tools.html.**

Following are the five default management criteria that will be based on the Servicer's comparison to its synthetic portfolio. Certain criteria names are also being revised as follows:

CURRENT NAME	FUTURE NAME
Early Collections Roll Rate	*Name unchanged*
Late Collections Roll Rate	*Name unchanged*
Workout Ratio	D60+ Workout to D60+ Inventory
Seriously Delinquent Mortgages Past Foreclosure Referral Standard	D90+ Loans Past Foreclosure Referral Standard
Seriously Delinquent or Foreclosure Mortgage Inventory Past Standard	Inventory Past Standard

SERVICER PERFORMANCE PROFILE

Beginning in **February 2012** with the Scorecard containing December performance results, Servicers may receive an Executive Summary Report (ESR) based upon aggregated performance data of the Servicer's "global family." The "global family" includes affiliates of a Servicer controlled by a common parent entity and that parent itself. In order to receive such aggregated global family performance data, each parent entity must provide written approval to share such aggregated information with their subsidiaries. The written approval must be provided by an officer or individual with appropriate corporate authority to approve disclosure of the subsidiary Servicer's performance data in aggregated form. Servicers should contact their Freddie Mac representative for information about how to provide the written approval. Servicers may find this report useful to provide to their senior management.

The data in the ESR includes the following:

- Snapshot of the portfolio composition. The portfolio composition is a current month snapshot of such items as the Servicer's unpaid principal balance, Mortgage count, number of Mortgages that are delinquent 30, 60, 90 days, and other information related to the Servicer's portfolio.
- Charts comparing the performance of a Servicer against nine other unidentified Servicers that are Servicing Mortgages with similar attributes and a similar portfolio size for each Scorecard criterion in the investor reporting and remitting, and default management categories
- Additional reports on the Servicer's performance against State foreclosure timeline standards and pull through rates of various workouts

Notwithstanding the provision of aggregated global family performance data in an ESR, Freddie Mac reserves its rights and remedies with respect to each Servicer within the global family.

In upcoming communications, we will notify Servicers of the exact manner in which they can receive the ESR. As always, loan level detail reports will continue to be available on the Servicer Performance Profile web site at available at **http://www.freddiemac.com/singlefamily/service/tools.html** for each Servicer.

Servicing Alignment Initiative

The Quality Right Party Contact and complete Borrower Response Package and Delinquency Improvement Performance Standard criteria will not be added to the Scorecard at this time. However, reports that reflect each Servicer's performance for these criteria will be available in Default Reporting Manager[SM]. See Guide Section 65.8, *Performance Standards*, for additional details on these criteria.

Quality Right Party Contact

Beginning **December 23, 2011**, Servicers may retrieve the "Quality Right Party Contact Monthly Monitoring Report" in Default Reporting Manager that reflects how well a Servicer achieved the quality right party contact benchmark of at least 60% on its 120-day delinquent Freddie Mac portfolio.

Complete Borrower Response Package and Delinquency Improvement Performance Standard

Beginning **December 23, 2011,** Servicers may retrieve the "BRP Monthly Progress Report" in Default Reporting Manager that reflects the Servicer's performance for each Delinquent Borrower Population that is being measured during the collection period.

Servicers are reminded that Default Reporting Manager is available through Freddie Mac's web site at **http://www.freddiemac.com/singlefamily/service/tools.html** and is accessible using a secure user ID and password. Instructions are available on FreddieMac.com.

PARTIAL TERMINATION OF A SERVICING PORTFOLIO

Effective immediately

Under Guide Chapter 73, *Termination of Servicing*, Freddie Mac may, in its sole discretion, terminate the Servicing of a Servicer with cause for any of the reasons for disqualification under Section 5.2, *Reasons for Disqualification or Suspension of the Seller or the Servicer*.

We are clarifying that this includes the right to:

- Terminate a portion of such Servicing, or
- Require the Servicer, at its own expense, to retain a Servicing Agent for all or a portion of such Servicing

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact Chapters 1, 5, 50, 51 and 73.

TRAINING

Training materials and reference documents will be available to support the updates to our Servicer Success Scorecard and SAI requirements. Servicers should visit the Learning Center web page at **http://www.freddiemac.com/learn/service/** in December for training information.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Bulletin

NUMBER: 2011-21

TO: Freddie Mac Sellers November 4, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are providing the following updates and revisions to our **selling requirements**:

Mortgage eligibility and credit underwriting

- Updating and reorganizing current guidance on stable monthly income
- Providing additional guidance and updating current guidance for "employed income" and "other income"

Appraisal requirements

- Specifying that an appraisal report is considered Uniform Appraisal Dataset (UAD)-compliant if it is completed using the UAD in accordance with Appendix D, *UAD Field-Specific Standardization Requirements*, of the Uniform Appraisal Dataset Specification ("Appendix D")
- Providing additional guidance regarding delivery of appraisal reports to the Uniform Collateral Data Portal® (UCDP®)

Repurchase late fee remittance

- Updating the Guide to indicate the frequency of assessment of repurchase late fees and to state that the amount of any repurchase late fees will appear on the Seller account activity statement

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING – INCOME GUIDANCE

Changes are effective for Mortgages with Delivery Dates on or after February 15, 2012 (However, Sellers may implement the revisions immediately)

Guide Section 37.13, *Stable Monthly Income and Asset Qualification Sources*, including subsections 37.13(a), *Employed Income*, and 37.13(c), *Other Income*, Section 37.22, *Streamlined Accept Documentation Requirements*, and Section 37.23, *Standard Documentation Requirements*, have been reorganized, updated and expanded. Refer to these Guide sections for detailed information.

Employed income

We are providing specific guidance regarding qualifying income for Borrowers on temporary leave from their current employment. Refer to Section 37.13(a)(vii) for the specific details of this guidance.

Other income

We are providing additional guidance on the consideration of other income as stable income, including, but not limited to, the following types of non-employment/non-self-employment income. We are adding income guidance for the following topics:

- Retirement income
- Survivor and dependent benefits
- Long-term disability
- Social Security Supplemental Security Income

Refer to Sections 37.13(c), 37.22 and 37.23 for specific details on this guidance.

In addition, we are providing updated guidance and documentation requirements for other income as it relates to:

Retirement income

For retirement income, we are reducing the Streamlined Accept and Standard Documentation requirements from three months and 12 months bank statements, respectively, to two months bank statements or other equivalent documentation evidencing receipt.

We are adding a documentation requirement that the Seller must provide verification of the type of income (award letter, 1099 or other equivalent documentation).

Social Security income

We have merged the Social Security income documentation requirements into the retirement, survivor and dependent benefits, long-term disability and Social Security Supplemental Security Income documentation requirements.

Additional changes concerning Social Security Supplemental Security Income include:

- Reducing the Streamlined Accept and Standard Documentation requirements from three months and 12 months bank statements, respectively, to the most recent two months bank statements or other equivalent documentation evidencing receipt
- Adding a documentation requirement that the Seller must provide verification of the type of income (award letter or other equivalent documentation)

Public assistance income

For public assistance income, we are reducing the documentation requirement for evidence of receipt from two years to the most recent two months.

Alimony, child support and separate maintenance income

Concerning alimony, child support and separate maintenance income requirements, we are:

- Reducing the requirement regarding the length of time that the payor has been obligated to make payments from 12 months to the most recent six months
- In order to be consistent with the updated guidance in this section, removing the provision that allows 30% of the income to be considered for qualifying income when the payor has been obligated for less than 12 months, but not less than six months
- Increasing the requirement regarding documentation for history of receipt from three months to six months

Refer to Sections 37.13(c), 37.22 and 37.23 for additional information.

Loan Prospector®

Loan Prospector messaging will be updated to reflect general revisions regarding documentation requirements for "other income" at a later date. Sellers must ensure that the requirements regarding stable monthly income and asset qualification sources are met.

Training

Updated training and resource materials will be available at a later date on Freddie Mac's Learning Center and in our webinar, *Underwriting Income and Employment*.

Visit **http://www.freddiemac.com/learn/uw/** for additional information.

APPRAISAL REQUIREMENTS

Uniform Appraisal Dataset compliance

Effective immediately

We are updating Sections 44.9, *Appraisal and Inspection Report Forms and the Property Inspection Alternative (PIA)*, and 44.20, *Appraisal Data and Delivery*, to specify that an appraisal report is considered UAD-compliant if it is completed using the UAD in accordance with Appendix D. Appendix D lists the requirements for the data that must be included in the residential appraisal report forms that are required to be completed using the UAD and the format in which data should be reported on the appraisal report form.

Sellers must validate that appraisal reports meet the requirements of Appendix D.

Uniform Collateral Data Portal "Successful" status

Effective for all Mortgages with appraisals submitted to the UCDP

We are updating Section 44.20 regarding the delivery of appraisal reports to the UCDP. In order for deliveries through the UCDP to be considered complete, a "Successful" status must be returned for each appraisal report submission.

Sellers may use the UCDP as a tool to aid in determining UAD compliance. However, the submission of appraisal report forms to the UCDP does not relieve the Seller from Freddie Mac appraisal requirements, including the requirement that the appraisal must comply with Appendix D and does not affect Seller representations and warranties regarding appraisals and the Mortgaged Premises.

REPURCHASE LATE FEE REMITTANCE

We are updating Section 72.3, *Repurchase Price*, to indicate that repurchase late fees are charged monthly.

Additionally, we are updating Sections 8.8.1, *Late Payment Policy*, and 72.3 to specify that the amount of any repurchase late fee will appear on the Seller account activity statement described in Section 17.2(e) and will be drafted from the Seller's Automated Clearing House (ACH) account in accordance with Section 17.2(g).

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact Chapters 8, 37, 44 and 72.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select “Loan Origination.”

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-22

TO: Freddie Mac Sellers November 15, 2011

INTRODUCTION

On October 24, 2011 the Federal Housing Finance Agency (FHFA), together with Freddie Mac and Fannie Mae, issued a press release announcing a series of changes to the Home Affordable Refinance Program (HARP) in an effort to attract more eligible Borrowers who can benefit from refinancing their home Mortgages. The program enhancements were developed at FHFA's direction with input from lenders, mortgage insurers and other industry participants.

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are announcing changes to our Freddie Mac Relief Refinance Mortgage^{SM} – Same Servicer and Relief Refinance Mortgage – Open Access offerings. A portion of these offerings are our business implementation of HARP.

These changes mark another step on the road to recovery for the nation's housing market and underscore Freddie Mac's vital role in making affordable mortgage financing available to America's homeowners.

SUMMARY

With this Bulletin we are:

- Revising Guide Chapter A24, *Freddie Mac Relief Refinance Mortgages^{SM} – Same Servicer*, so that it applies only to, and provides requirements for, Relief Refinance Mortgages – Same Servicer with loan-to-value (LTV) ratios greater than 80%
- Adding new Chapter C24, *Freddie Mac Relief Refinance Mortgages^{SM} – Same Servicer with LTV Ratios Less than or Equal to 80%*, to provide requirements for Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80%
- Revising Chapter B24, *Freddie Mac Relief Refinance Mortgages^{SM} – Open Access*, to provide Borrowers with expanded access to refinancing opportunities

Changes to Relief Refinance Mortgages include, but are not limited to:

- Extending the expiration date of the Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access offerings to December 31, 2013 (Mortgages must have Note Dates on or before December 31, 2013)
- Removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Cash and fixed-rate Guarantor (the 105% maximum LTV ratio for adjustable-rate Mortgages (ARMs) will remain) for Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80% and Relief Refinance Mortgages – Open Access
- Revising requirements related to certain Seller representations and warranties on the Mortgage being refinanced for Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80%
- Revising certain other eligibility requirements to increase the number of Borrowers who may be eligible for Relief Refinance Mortgages

Effective dates vary for these changes; therefore, it is important to review this Bulletin in its entirety for a complete understanding of all changes and their effective dates.

Mortgages using the Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access requirements in effect prior to January 3, 2012

To assist with pipeline coverage, Mortgages using the Relief Refinance Mortgage – Same Servicer and Relief Refinance Mortgage – Open Access requirements in effect prior to January 3, 2012, will continue to be eligible for sale to Freddie Mac provided the loan application date is prior to December 1, 2011, the Note Date is on or before January 31, 2012, and the Freddie Mac Settlement Date is on or before April 30, 2012.

RELIEF REFINANCE MORTGAGES – SAME SERVICER WITH LTV RATIOS GREATER THAN 80%

Chapter A24 has been updated to reflect the changes below.

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after January 3, 2012

The changes to Relief Refinance Mortgages – Same Servicer with LTV ratios greater than 80% include the following:

- Extending the expiration date of this offering to December 31, 2013 (Mortgages must have Note Dates on or before December 31, 2013)
- Removing the requirement that the Seller represent and warrant that the Mortgage being refinanced met certain Freddie Mac eligibility requirements in its Purchase Documents
- Adding a Borrower benefit provision allowing the Relief Refinance Mortgage to be originated for the purpose of reducing the monthly principal and interest (P&I) payment
- Requiring that at least one Borrower have a source of income and that the Seller verify the income source
- No longer permitting determination of property value based on the appraisal or Automated Valuation Model (AVM) from the Mortgage being refinanced
- No longer permitting determination of property value based on a new AVM other than Home Value Explorer® (HVE)
- Permitting one 30-day Delinquency within the previous 12 months on the Mortgage being refinanced provided the Delinquency was not within the previous six months
- Removing the requirement that the occupancy of the Mortgage being refinanced and the occupancy of the Relief Refinance Mortgage be the same
- Revising the requirement related to the age of the HVE model estimate from no more than 180 days old as of the Settlement Date to no more than 120 days as of the Note Date
- Revising requirements for Mortgages with P&I payment increases greater than 20%
- Adding specific requirements related to solicitation, advertising and other communications to Borrowers

Guide Section 46.26, *Freddie Mac Relief Refinance Mortgage℠ – Same Servicer*, has also been updated to reflect related changes to Freddie Mac's postfunding quality control review of Relief Refinance Mortgages.

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after February 1, 2012

We are removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Cash (the 105% maximum LTV ratio for ARMs will remain).

Guide Exhibit 17S, *Mortgage Products Available through the Selling System*, has been updated to reflect this change.

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after March 15, 2012

We are permitting the use of HVE to determine property value for certain 2-unit properties in addition to 1-unit properties.

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after June 1, 2012

We are removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Guarantor (the 105% maximum LTV ratio for ARMs will remain). The Guide will be updated with a future Bulletin to reflect this change.

RELIEF REFINANCE MORTGAGES – SAME SERVICER WITH LTV RATIOS LESS THAN OR EQUAL TO 80%

Requirements for Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80% are being revised and consolidated into new Chapter C24.

Sellers should review new Chapter C24 in its entirety to ensure they are aware of all changes to Freddie Mac requirements for Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80%.

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after January 3, 2012

The changes to Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80% include the following:

- Extending the expiration date of this offering to December 31, 2013 (Mortgages must have Note Dates on or before December 31, 2013)
- Requiring maximum total LTV (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratios of 105%
- Requiring a minimum Indicator Score of 620
- Adding a Borrower benefit provision allowing the Relief Refinance Mortgage to be originated for the purpose of reducing the monthly P&I payment
- Requiring that at least one Borrower have a source of income and that the Seller verify the income source
- Requiring verification of Borrower Funds when needed for closing
- No longer permitting determination of property value based on the appraisal or AVM from the Mortgage being refinanced
- No longer permitting determination of property value based on a new AVM other than HVE
- Permitting one 30-day Delinquency within the previous 12 months of the Mortgage being refinanced, provided the Delinquency was not within the previous six months
- Revising the requirement related to the age of the HVE model estimate from no more than 180 days old as of the Delivery Date to no more than 120 days as of the Note Date
- Allowing Relief Refinance Mortgages – Same Servicer with LTV ratios less than or equal to 80% to be sold to Freddie Mac when the Mortgage being refinanced had mortgage pool insurance or another negotiated credit enhancement other than recourse and indemnification. Existing requirements continue to apply when the Mortgage being refinanced had recourse or indemnification.
- Revising requirements for Mortgages with P&I payment increases greater than 20%
- Allowing for a more flexible use of refinance proceeds

Sellers continue to be responsible for representing and warranting that the Mortgage being refinanced met the Freddie Mac eligibility requirements in its Purchase Documents, including, but not limited to, credit, underwriting, collateral and appraisal requirements.

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after March 15, 2012

We are permitting the use of HVE to determine property value for certain 2-unit properties in addition to 1-unit properties.

RELIEF REFINANCE MORTGAGES – OPEN ACCESS

Chapter B24 has been updated to reflect the changes below.

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after January 3, 2012

The changes to Relief Refinance Mortgages – Open Access include the following:

- Adding a Borrower benefit provision allowing the Relief Refinance Mortgage to be originated for the purpose of reducing the monthly P&I payment
- Extending the expiration date of this offering to December 31, 2013 (Mortgages must have Note Dates on or before December 31, 2013)
- Revising the requirement related to the Mortgage payment history for the Mortgage being refinanced
- For Mortgages with LTV ratios less than or equal to 80%, requiring maximum TLTV and HTLTV ratios of 105%
- For Mortgages with LTV ratios less than or equal to 80%, allowing for a more flexible use of refinance proceeds

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after March 15, 2012

We are removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Cash (the 105% maximum LTV ratio for ARMs will remain). Exhibit 17S has been updated to reflect this change.

We are also permitting the use of HVE to determine property value for certain 1- to 2-unit properties. Exhibit 32 has been updated to reflect this change.

Effective for Mortgages with loan applications dated on or after December 1, 2011 and Freddie Mac Settlement Dates on or after June 1, 2012

We are removing the maximum LTV ratio of 125% for fixed-rate Mortgages sold under fixed-rate Guarantor (the 105% maximum LTV ratio for ARMs will remain). The Guide will be updated with a future Bulletin to reflect this change.

Loan Prospector®

On or before March 15, 2012, Loan Prospector will be updated to recognize Relief Refinance Mortgages – Open Access with LTV ratios greater than 125%. Until Loan Prospector is updated, Sellers cannot complete loan assessments for Relief Refinance Mortgages – Open Access with LTV ratios greater than 125%.

Loan Prospector has not been updated to reflect the maximum 105% TLTV and HTLTV ratios for Relief Refinance Mortgages – Open Access with LTV ratios less than or equal to 80%. Sellers must ensure that this requirement is manually applied.

HVE values returned on Loan Prospector Feedback Certificates can be used to determine property value for Relief Refinance Mortgages – Open Access only for Loan Prospector submissions on or after March 15, 2012.

DELIVERY FEE CAP ADJUSTMENTS

Effective for Mortgages with Settlement Dates on or after **January 3, 2012**, we are revising our delivery fee caps as follows:

For Relief Refinance Mortgages with LTV ratios greater than 80%:

- The delivery fee cap has been reduced to 0 basis points for non-Investment Property fixed-rate Mortgages with an amortization of less than or equal to 20 years
- The delivery fee cap has been reduced to 75 basis points for non-Investment Property fixed-rate Mortgages with an amortization of greater than 20 years
- The delivery fee cap has been reduced to 75 basis points for non-Investment Property Mortgages that are ARMs
- The delivery fee cap for Investment Properties remains the same at 200 basis points

For Relief Refinance Mortgages with LTV ratios less than or equal to 80%:

- The delivery fee cap remains the same at 200 basis points for all Mortgages

Exhibit 19, *Postsettlement Delivery Fees*, has been updated to reflect these changes, as shown below:

RELIEF REFINANCE MORTGAGE DELIVERY FEE CAP Effective for Settlements on or after January 03, 2012				
			LTV RATIOS	
			ALL ELIGIBLE	
Property Type	**Product**	**Amortization Term**	**≤ 80%**	**> 80%**
Relief Refinance Investment Property Mortgages	**All Eligible Product**	**All Eligible**	2.00%	2.00%
All Other Relief Refinance Mortgages	**Fixed Rate**	**≤ 20 years**	2.00%	0.00%
	Fixed Rate	**> 20 years**	2.00%	0.75%
	ARMs	**All Eligible**	2.00%	0.75%

TRAINING

Updated training and resource materials will be available at a later date on Freddie Mac's Learning Center and in our webinar, *Freddie Mac Relief Refinance Mortgage*. Visit **http://www.FreddieMac.com/learn/mp/** for additional information.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters A24, B24, C24 and 46
- Exhibits 17S, 19 and 32

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Loan Origination."

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-23

TO: Freddie Mac Servicers November 18, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are making the following updates to our **Servicing** requirements:

- Eliminating the requirement that a Borrower must have had the Mortgaged Premises listed for sale in order to be eligible for a deed-in-lieu of foreclosure (DIL) pursuant to Guide Chapter B65, *Workout Options*, for Mortgages that are 120 days or more delinquent
- Adding new Guide Form 902, *Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only*, and introducing new Form 902SA, *Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only*, with related addenda
- Clarifying Servicer and Servicing Agent obligations and revising our Servicing Agent requirements to, among other things:
  - Provide that a Servicer may not engage more than one Servicing Agent for Freddie Mac Mortgages being serviced under a particular Seller/Servicer number at any one time
  - Require a Servicer to notify Freddie Mac within one Business Day of expiration or termination of its contract with an approved Servicing Agent by either party
- Providing additional guidance with respect to eligible short payoff transaction requirements and our short sale affidavit requirements
- Removing the requirement to include the property address as part of reporting an escalated case
- Providing further guidance on the interest rate and principal and interest payment amount that Servicers must use to calculate the target payment and the Current Monthly Housing Expense-to-income ratio for a Home Affordable Modification Program (HAMP) Trial Period Plan when the Mortgage is subject to the Servicemember's Civil Relief Act (SCRA) interest rate cap at the time of evaluation
- Providing additional guidance for sending a late notice/reminder to the Borrower
- Providing additional guidance on required telephone contact with delinquent Borrowers
- Updating the Guide to reflect that the Freddie Mac Exclusionary List ("Exclusionary List") is now available to Servicers through the Freddie Mac Service Loans application ("Service Loans application")

We are also reminding Seller/Servicers of their obligation to maintain mortgage insurance coverage for Freddie Mac's benefit, an obligation that includes responding in required time frames to an MI request for information and documentation prior to MI issuance of a coverage rescission or claim denial.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

DEED-IN-LIEU OF FORECLOSURE PROPERTY LISTING REQUIREMENTS

We are eliminating the requirement that a Borrower must have had the Mortgaged Premises listed for sale in order to be eligible for a DIL pursuant to Chapter B65 for Mortgages that are 120 days or more delinquent. The Borrower's level of Delinquency is determined at the time the Servicer evaluates the Borrower for an alternative to foreclosure based on a complete Borrower Response Package.

Previously, when considering a Borrower for a DIL, we required the Servicer to ensure that the Borrower had listed the Mortgaged Premises for sale with a licensed real estate broker for at least 90 days, at no more than 110% of market value, with all attempts to sell the Mortgaged Premises being unsuccessful. Eliminating the requirement of listing the Mortgaged Premises for sale prior to consideration for a DIL will facilitate a quicker execution of the DIL when a Borrower who is in a late stage of Delinquency is offered a DIL.

This change does not impact the requirements for DILs pursuant to Freddie Mac's Home Affordable Foreclosure Alternatives (HAFA) initiative under Chapter D65, *Home Affordable Foreclosure Alternatives*, nor does it impact Borrowers who are less than 120 days delinquent at the time the Servicer evaluates the Borrower for an alternative to foreclosure based on a complete Borrower Response Package.

Guide Sections B65.43, *When to Consider a Deed-in-Lieu of Foreclosure*, B65.44, *Eligibility Requirements*, and B65.45, *Submitting a Recommendation to Freddie Mac*, have been updated to reflect this change.

SERVICE LOANS APPLICATION USER ROLES FORMS

Now that Servicer migration to the Service Loans application has been completed, we are updating the Guide to add new Form 902, with a related addendum, for Servicers to designate individuals authorized to use the Service Loans application ("Authorized Users"). The Form 902 is the form that Servicers completed and submitted to identify and designate their Authorized Users when migrating to the Service Loans application. As a reminder, it must be executed by a Servicer's Vice President or higher ranking officer.

We are also introducing new Form 902SA, with a related addendum, to be used only by Servicing Agents that have been engaged to service Freddie Mac Mortgages on the Servicer's behalf. When engaging a Servicing Agent, the Servicer must execute and submit Form 479A, *Single-Family Servicing Agent Certification*, to obtain Freddie Mac approval to engage the Servicing Agent and which authorizes the Servicing Agent to access the Service Loans application to service Freddie Mac Mortgages on the Servicer's behalf. Effective immediately, upon receiving Freddie Mac approval to act as a Servicing Agent, the Servicing Agent must complete and submit the Form 902SA to identify the Servicing Agent's authorized employees ("Authorized Users") and their respective delegated user roles for Servicing designated Freddie Mac Mortgages. The Form 902SA must also be signed by a Vice President or higher ranking officer.

Servicers that need additional space to identify Authorized Users on the Form 902 must use new Form 902A, *Addendum to Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicers Only*. Servicing Agents must use Form 902ASA, *Addendum to Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only*, to request access for additional Authorized Users. Form 902A and Form 902ASA must be attached to and submitted together with Form 902 and Form 902SA, respectively, and may not be submitted separately. Each Form 902A or Form 902SA submitted must contain an original signature.

Sections A50.7, *Security and Servicer Responsibilities*, and 51.4, *Servicer and Servicing Agents*, have been updated to reflect addition of the Forms 902, 902A, 902SA and 902ASA to the Guide and Servicer authorization of the Servicing Agent to access the Service Loans application to service Freddie Mac Mortgages on Servicer's behalf.

SERVICING AGENTS

We are updating Section 51.4 to clarify Servicer and Servicing Agent obligations.

We are also updating Section 51.4 to provide that a Servicer may not engage more than one Servicing Agent for Freddie Mac Mortgages being serviced under a particular Seller/Servicer number at any one time. This does not prohibit Servicers from engaging more than one Servicing Agent provided that the Mortgages serviced by each Servicing Agent are serviced under separate Seller/Servicer numbers.

In addition, we are updating Section 51.4 to require that a Servicer notify Freddie Mac within one Business Day of expiration or termination of its contract with an approved Servicing Agent by either party.

SHORT PAYOFF REQUIREMENTS

We are updating Chapter B65 to provide additional guidance with respect to Freddie Mac's short payoff requirements. Specifically, we are:

- Providing that short sale negotiation fees must not be deducted from the proceeds of the sale or charged to the Borrower
- Clarifying that all amounts paid to any party in connection with the short payoff transaction, including payments made to holders of other liens on the Mortgaged Premises, must be accurately reflected on the HUD-1 Settlement Statement and the amount and recipient of the payments must be clearly identified
- Allowing a Borrower to receive a payment upon the sale of the Mortgaged Premises only if the payment is offered by the Servicer, approved by Freddie Mac, and reflected on the HUD-1 Settlement Statement
- Revising our short sale affidavit requirements to clarify that statements made in the affidavit are made to the best of each signatory's knowledge and belief and that each signatory is liable for his or her negligent or intentional misrepresentations, **but not those of other signatories to the affidavit.**

We are also providing other additional guidance with respect to the short sale affidavit, including the information that must be included in the affidavit.

The above changes are effective for short payoffs approved pursuant to Chapter B65 on and after **January 1, 2012**. However, Servicers are encouraged to incorporate these changes immediately.

Sections B65.37, *Eligibility Requirements*, and B65.40, *Approval Conditions*, have been updated to reflect these changes.

ESCALATED CASE REPORTING

Freddie Mac no longer requires the submission of the property address as part of reporting an escalated case.

We have updated Section 51.5.1, *Servicer Response to Complaints- Escalated Cases*, to reflect this change to our reporting requirements.

UNDERWRITING SERVICE MEMBERS UNDER HAMP

We are updating Sections C65.1, *Overview*, C65.5.1, *Verification of Eligibility*, and C65.6, *Underwriting the Borrower*, to provide further guidance on the interest rate and current principal and interest payments that must be used to calculate the target payment, the Current Monthly Housing Expense-to-income ratio, and eligibility for the Servicer "Pay for Success" incentive when the Mortgage is subject to the SCRA interest rate cap.

We are instructing Servicers to use the interest rate in effect prior to the granting of the SCRA relief (i.e., the contractual rate of interest on the Mortgage) when determining a service member's eligibility under HAMP. When evaluating the Borrower's Current Monthly Housing Expense-to-income ratio and

determining whether it is above or below 31%, Servicers must use the contractual payment that is in effect on the Note prior to the granting of the SCRA relief. The Borrower's contractual payment amount prior to granting the SCRA relief will be used by Freddie Mac in determining Servicing eligibility for the Servicer "Pay for Success" incentive payment rather than the payment amount that the service member pays under the SCRA.

LATE NOTICE/REMINDER

The Guide requires the Servicer to send a late notice to the Borrower no later than the 17th day of Delinquency. However, to the extent that the 17th day of Delinquency is a non-Business Day and Servicers are unable to send the notice sooner, Servicers may send the late notice on the next available Business Day after the 17th day of Delinquency.

We are updating Section 64.5, *Collection Efforts*, to reflect this additional flexibility when sending late notices/reminders.

TELEPHONE CONTACT WITH DELINQUENT BORROWERS

The Guide requires Servicers to contact delinquent Borrowers at least every third day until one of the conditions specified in Section 64.5, including quality right party contact, is met. The Guide also requires Servicers to call Borrowers on other specified days throughout the solicitation process, for example, the day after the Servicer has sent the Borrower Solicitation Package. With this Bulletin we are providing that when the day a Servicer is required to call the Borrower is a non-Business Day, and the Servicer is not open on such day to conduct loss mitigation and collection activities, the Servicer may call the Borrower on the next Business Day.

Sections 64.5 and 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*, have been updated to reflect this change.

EXCLUSIONARY LIST

We are updating Section 2.24, *Freddie Mac Exclusionary List*, to reflect that access to the Exclusionary List is electronically available to Servicers through the Service Loans application.

As a reminder, Seller/Servicers are required to use the Exclusionary List to screen parties involved in the origination of a Mortgage delivered to Freddie Mac and the parties involved in Freddie Mac sales and Servicing functions for Freddie Mac Mortgages, as more completely described in Section 2.24(b). Servicers should refer to Sections 2.24 and 51.3(a) for additional information regarding required representations and warranties and other obligations with respect to use of the Exclusionary List.

The Exclusionary List is also available electronically through the Freddie Mac Selling System, Loan Prospector®, Freddie Mac's Learning Center and MultiSuite®.

SELLER/SERVICER OBLIGATION TO MAINTAIN MORTGAGE INSURANCE COVERAGE – RESPONSE TO MI REQUEST FOR INFORMATION AND DOCUMENTATION

As stated in our August 12, 2011 Industry Letter, Freddie Mac is seeing a material increase in mortgage insurer rescissions, cancellations and denials of coverage of Freddie Mac-owned Mortgages.

Seller/Servicers are reminded that it is both a selling and Servicing obligation to maintain mortgage insurance coverage for Freddie Mac's benefit. The obligation to maintain the mortgage insurance coverage includes responding in the required time frames to the MI's requests for information and documentation prior to the issuance by the MI of a rescission of coverage or a denial of claim. Once Freddie Mac is made aware that the MI has rescinded coverage or denied a claim, Freddie Mac will issue a repurchase request.

Before Freddie Mac is notified of the MI's decision to rescind coverage or deny a claim under such coverage for a given Mortgage, certain MIs may allow Seller/Servicers to appeal the MI rescission or claim denial decision to reinstate the mortgage insurance coverage or to facilitate a claim payment to

Freddie Mac. In these scenarios, Seller/Servicers must ensure that all applicable MI requirements for rescission or claim denial appeals are satisfied, in accordance with Section 53.2, *The Servicer to Satisfy FHA, VA, RHS and MI Requirements*. Specifically, if the MI requests information or documentation from the Seller/Servicer pertaining to the appeal of a rescission or claim denial decision, then the Seller/Servicer must work expeditiously to provide the information or documentation to the MI within the required time frames, so that Freddie Mac can regain full benefit of the mortgage insurance.

If the Seller/Servicer fails to provide required information for a rescission or claim denial appeal to the MI in a timely manner, Freddie Mac will issue a repurchase request to the Seller/Servicer after Freddie Mac is notified of the MI's original rescission or claim denial decision.

After Freddie Mac is made aware of the MI's decision to rescind coverage or deny claim under such coverage for a given Mortgage and issues a letter to the Seller/Servicer requiring repurchase of the Mortgage, any concurrent or outstanding Seller/Servicer appeal to the MI related to the Mortgage does not change the Seller/Servicer's obligation to repurchase Freddie Mac's interest in the Mortgage in accordance with Section 72.1, *Repurchases Required by Freddie Mac*.

As a further reminder, Section 72.6, *Appealing a Repurchase Request*, allows Seller/Servicers to file only one appeal within 30 days from the date of Freddie Mac's letter requiring repurchase, or within such other time frame as specified by Freddie Mac, if the Seller/Servicer has additional supporting information and/or documentation that may affect Freddie Mac's decision.

GUIDE UPDATES

Online Reimbursement System retirement

In Bulletin 2010-10 Freddie Mac announced the new Reimbursement System that has now replaced the Online Reimbursement System. Since the transition of Servicers to the new Reimbursement System was completed earlier this year, with this Bulletin, we are updating the Guide to remove all remaining references to the now retired Online Reimbursement System, and removing Chapter A71, *Reimbursement of Expenses – Online Reimbursement System*.

Exhibit 75, *Adjustment Codes for Expense Reimbursement Claims*, is being removed from the Guide as the codes listed in the exhibit are no longer valid. Additionally, when a claim is submitted in the Reimbursement System, the Servicer receives an on-screen notification that describes the reason for adjustment or denial of the claim.

Sections C65.6, C65.8, *Other General Requirements*, 66.61, *Reporting and Remittance Requirements*, 70.18, *Condominium/HOA and PUD Fees and Ground Rent*, and 70.20, *Reimbursement of Expenses Incurred*, and Exhibits 74, *Expense and Income Codes for Expense Reimbursement Claims*, and 88, *Servicing Tools*, have also been updated to remove references to the retired Online Reimbursement System.

MIDANET® for the PC retirement – additional updates to Volume 2

We have updated Section 61.13, *Assumability Provisions and Rate Cap Requirements for Adjustable-Rate Mortgages*, and Directory 8, and deleted Form 4, *Convertible Mortgage Conversion Confirmation*, to reflect the retirement of MIDANET for the PC announced in Bulletins 2011-14 and 2011-16.

REMINDERS

Seller/Servicer eligibility

With Bulletin 2011-18, we announced that **effective February 1, 2012**, our eligibility requirements will be revised to specify that wholly owned subsidiaries of Seller/Servicers that are non-depository and/or non-regulated institutions (such as Mortgage Bankers) must obtain a separate Freddie Mac approval in order to do business with Freddie Mac.

Servicers should review the updated Glossary definition of "Seller/Servicer" for additional information.

Repurchase late fee remittance

With Bulletin 2011-21 we updated Section 72.3, *Repurchase Price*, to indicate that repurchase late fees are charged monthly.

Additionally, we updated Sections 8.8.1, *Late Payment Policy*, and 72.3 to specify that the amount of any repurchase late fee will appear on the Seller account activity statement described in Section 17.2(e) and will be drafted from the Seller's Automated Clearing House (ACH) account in accordance with Section 17.2(g).

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 2, A50, 51, 60, 64, B65, C65, 66, 70, A71 and A83
- Forms 4, 902, 902A, 902SA and 902ASA
- Exhibits 74, 75 and 88
- Directory 8

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing."

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Freddie Mac
We make home possible®

Industry Letter

To: Freddie Mac Servicers December 12, 2011

SUBJECT: FEDERAL HOUSING FINANCE AGENCY DIRECTIVE TO FREDDIE MAC AND FANNIE MAE RELATING TO MORTGAGES SECURING PROPERTIES SUBJECT TO THE CITY OF CHICAGO, ILLINOIS'S VACANT PROPERTY ORDINANCE

By directive dated December 8, 2011 ("Directive"), the Federal Housing Finance Agency (FHFA), pursuant to the Housing and Economic Recovery Act of 2008, has directed Freddie Mac and Fannie Mae to take action relating to Sections 13-12-125, 126 and 135 of the Municipal Code of the City of Chicago, Illinois ("Ordinance"). The Ordinance was revised on July 28, 2011 to impose obligations upon "mortgagees." These obligations include imposing registration, inspection and maintenance obligations upon "mortgagees" in connection with vacant properties located in the City of Chicago that go beyond the requirements of the *Single-Family Seller/Servicer Guide* ("Guide"). The revised Ordinance became effective on September 18, 2011. A copy of the Directive is included as Attachment A to this Industry Letter.

Effective immediately, Servicers servicing Mortgages owned or guaranteed by Freddie Mac subject to the Ordinance performing services related to such Mortgages must take the following actions in preparation for additional future requirements we will issue consistent with the Directive:

- Read the Directive and assess the number of Mortgages secured by properties located within the City of Chicago that the Servicer services on behalf of Freddie Mac, their state of Delinquency and occupancy
- Separately record and track outside of Freddie Mac systems or forms and using the Servicer's discretion as to the method, all expenses incurred by the Servicer or the Servicer's vendor for filing a registration statement with the City of Chicago for vacant properties securing Mortgages from September 18, 2011 until further notice
- Perform the inspection, maintenance, repair and legal obligations required by the Ordinance for vacant properties securing Mortgages until further notice. No pre-approval from Freddie Mac for over-allowable expenses is required until further notice. Separately record and track outside of Freddie Mac systems or forms and using the Servicer's discretion as to the method, all amounts incurred by the Servicer or the Servicer's vendors for inspection, maintenance, repair and legal expenses required by the Ordinance from September 18, 2011 until further notice.
- Do not submit Ordinance-related registration, inspection, maintenance, repair and legal expenses from September 18, 2011 onward to Freddie Mac at this time. Freddie Mac will provide more specific directions on how to report these expenses and submit them for reimbursement in a future Guide Bulletin. However, Servicers should keep accurate records of these expenses so that they will be prepared to submit this information when requested.
- Continue to service Mortgages in accordance with the Guide and applicable local, State and federal law. Any further directions related to the Ordinance or similar ordinances in other localities will be communicated in a future Bulletin.

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Federal Housing Finance Agency

1700 G Street, N.W., Washington, D.C. 20552-0003
Telephone: (202) 414-3800
Facsimile: (202) 414-3823
www.fhfa.gov

December 8, 2011

Timothy J. Mayopolous, Esq.
General Counsel
Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Alicia S. Myara, Esq.
Acting General Counsel
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102, 3110

RE: Mortgages on Properties Located Within the City of Chicago

Counsels:

As you know, on November 2, 2011, the City of Chicago enacted an Ordinance amending sections 13-12-125 and 135 of the Municipal Code to impose registration fees, taxes, fines, penalties, and maintenance obligations in connection with "vacant" property located within the 92 zip codes that comprise the City of Chicago. The Ordinance imposes these obligations on mortgagees and those acting on their behalf, including the Enterprises and their servicers, with regard to properties that have not been foreclosed upon.

As Conservator of Fannie Mae and Freddie Mac, the Federal Housing Finance Agency ("FHFA") has the duty to "preserve and conserve the assets and property of the regulated entit[ies]." 12 U.S.C. § 4617(b)(2)(B)(iv). The Conservator is directed to "take such action as may be . . . necessary to put the regulated entit[ies] in a sound and solvent condition." 12 U.S.C. § 4617(b)(2)(D)(i). The safety and soundness issues presented if the Enterprises were to submit to the kind of supervision, direction and regulation that the Ordinance establishes, as well as the taxes, fines and penalties that the Ordinance imposes, conflict with these congressionally-established mandates for the conservatorships.

The Conservator possesses broad powers to take any authorized action "which the Agency determines is in the best interests of the regulated entit[ies] or the Agency." 12 U.S.C. § 4617(b)(2)(J)(ii). Accordingly, pursuant to 12 U.S.C. § 4617, and in furtherance of the Conservator's duty to preserve and conserve the assets and property of the Enterprises, the Enterprises are directed to expeditiously:

1. Prepare proposed revisions to their Servicing Guidelines to provide that the Enterprises and servicers and vendors acting on their behalf, when making payments to the City of Chicago under the Ordinance with respect to properties that have not been foreclosed upon, are

doing so under protest that the Ordinance violates HERA, with full reservation of rights, pursuant to a protest letter from FHFA to the City of Chicago;

2. Establish an appropriate mechanism or procedure, with specific guidance to servicers and vendors, so that the Enterprises will accurately track and make timely periodic reports to the City of Chicago of (a) amounts paid to the City of Chicago under the Ordinance with respect to properties that have not been foreclosed upon, and (b) any payments, expenditures or other costs incurred in compliance with the Ordinance to repair, maintain, or secure properties that have not been foreclosed upon that would not have been incurred absent the Ordinance;

3. Prepare proposed alterations of pricing for future mortgage originations or refinances that occur within the City of Chicago to reflect the higher costs associated and anticipated with the Ordinance. FHFA will provide further guidance to Fannie Mae and Freddie Mac on such proposed pricing adjustments;

4. Plan and prepare for such other prudential actions that may be appropriate to preserve and conserve assets and to operate in a safe and sound manner;

5. Submit materials described in paragraphs 1-4 to FHFA for its review and consideration; and,

6. Provide servicers with a summary or copy of this conservatorship directive as soon as possible.

The Conservator will be examining whether other jurisdictions impose similar requirements in violation of the Housing and Economic Recovery Act of 2008, Pub L. No. 110-289, 122 Stat. 2654, codified at 12 U.S.C. § 4617 *et seq.* ("HERA") that should be addressed in the same manner. FHFA does not opine on the application of such ordinances to any mortgages serviced for companies other than the Enterprises, but only on the application to mortgages on which the Enterprises are mortgagees.

If you have any questions, please do not hesitate to contact me at 202-414-3788.

With all best wishes, I am

Sincerely,

Alfred M. Pollard
General Counsel

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-24

TO: Freddie Mac Servicers December 13, 2011

SUBJECT: SERVICER REQUIREMENTS RELATED TO STATE HOUSING FINANCE AGENCIES' MODIFICATION ASSISTANCE PROGRAMS

Single-Family Seller/Servicer Guide ("Guide") Bulletin 2010-25 set forth Freddie Mac's requirements for Servicer interaction with state Housing Finance Agencies ("HFAs") related to the HFAs' unemployment mortgage assistance and reinstatement programs developed in connection with the Treasury's Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund ("HHF") initiative.

With this Bulletin, Freddie Mac is providing:

- Requirements for Servicer participation in modification assistance programs offered by HFAs in connection with the HHF initiative
- Further guidance with respect to a Servicer's obligation regarding collection and solicitation activities once notified of a Borrower's approval for modification, unemployment or reinstatement assistance

Effective date

All of the changes announced in this Bulletin are effective immediately.

MODIFICATION ASSISTANCE PROGRAM PARTICIPATION REQUIREMENTS

Overview

To assist eligible Borrowers with qualifying for a modification, certain HFAs provide funds to Servicers through their modification assistance programs. Funds may be applied to assist such Borrowers to meet housing expense-to-income ratio parameters or loan-to-value (LTV) ratio requirements, or to ensure a more positive net present value (NPV) result.

For Freddie Mac-owned or guaranteed Mortgages, Servicers must now participate in modification assistance programs offered by an HFA in connection with the HHF provided that:

- The modification assistance program does not require the Servicer or Freddie Mac to make a financial contribution or match any assistance provided by the HFA
- Program participation and parameters for receiving assistance do not conflict with Freddie Mac's modification requirements under the Guide or the Servicer's other Purchase Documents, as applicable
- Receipt of funds does not impair the First Lien priority of the Mortgage
- Funds are remitted to the Servicer from the HFA in a one-time lump sum payment

Application of funds and Treasury Net Present Value model

Servicers must ensure that they apply funds received from the HFA in accordance with the Note, Security Instrument and applicable law. However, if funds are received from an HFA in accordance with its modification assistance program, Servicers may apply funds in accordance with the HFA's written instructions, provided the written instructions do not conflict with applicable law.

Further, if applicable, Servicers should refer to instructions provided by the Making Home Affordable Program Administrator regarding how application of funds received from an HFA will impact the Treasury NPV model and make the Treasury NPV model result more positive, thereby enabling a Borrower to qualify for a modification under the Home Affordable Modification Program (HAMP).

Modification settlement

If receipt of funds from the HFA is confirmed and the funds are due to be applied in the month prior to the first modified payment due date, but the Servicer is unable to receive and report such funds to Freddie Mac prior to the accounting cycle cutoff, then the Servicer must advance funds to complete the modification settlement.

When submitting Guide Form 1128, *Loss Mitigation Transmittal Worksheet*, ("LMTW") in accordance with Guide Chapters B65, *Workout Options*, and C65, *Home Affordable Modification Program*, to complete modification settlement, the Servicer must enter the amount of modification assistance that has been received from the HFA or advanced by the Servicer in Line 16, "Amount Held in Suspense/Restricted Escrow," and state in the "Servicer Comments" section of the transmittal that funds were provided from an HFA under its modification assistance program together with the amount of such funds.

Reporting

In addition to complying with the reporting requirements for a modification under Chapters B65 and C65, Servicers must report to Freddie Mac a list of all Mortgages for which modification assistance was provided for the prior month using the "Spreadsheet for Hardest Hit Fund Mortgages" described in Bulletin 2010-25.

An updated template of the spreadsheet is available at **www.FreddieMac.com/singlefamily/service/hfa_relief.html.** Servicers must continue to send the spreadsheet to **Hardest_Hit@freddiemac.com** by the fifth Business Day of every month for all Mortgages that received assistance.

Foreclosure actions

As previously provided in Bulletin 2010-25, foreclosure actions (referral and sale) must be suspended for a period of 45 days, or a longer period as required by State law, upon notification from the HFA that a Borrower is conditionally approved for mortgage assistance under an HFA's unemployment or reinstatement assistance programs. With this Bulletin, we are also requiring suspension if a Borrower is conditionally approved for mortgage assistance under an HFA's modification assistance program. Further, Servicers are reminded that they may also suspend foreclosure actions for a period exceeding 45 days as necessary to facilitate the processing of mortgage assistance and receipt of funds, provided that the Servicer follows up with the HFA on a regular basis to determine (i) whether the Borrower is still eligible for mortgage assistance and (ii) when such funds will be received.

General requirements

Servicers must continue to comply with the "General Requirements" outlined in Bulletin 2010-25 as amended by the guidance and requirements included in Bulletin 2011-5.

COLLECTION AND SOLICITATION ACTIVITIES

For all Mortgages for which the Servicer has received notification from the HFA that a Borrower is conditionally approved for mortgage assistance (including modification, unemployment and reinstatement assistance), a Servicer is *not* required to continue collection calls and solicitation activity as outlined in Chapter 64, *Delinquencies*, unless the Servicer receives notice that the Borrower did not qualify for assistance from the HFA.

CONCLUSION

If after reviewing this Bulletin you have any questions about your role in the HFAs' mortgage assistance programs as part of the HHF initiative, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing."

Sincerely,

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-25

TO: Freddie Mac Sellers | December 16, 2011

SUBJECTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, we are providing the following updates and revisions to our **selling requirements**:

Mortgage eligibility and credit underwriting

- Updating our requirements for Mortgages used to pay off balances under land contracts or contracts for deed
- Revising our requirements to permit a cash-out refinance Mortgage when the property was purchased free and clear of liens and the Borrower has not been on the title to the subject property for at least six months prior to the Note Date, provided the underlying purchase transaction and the cash-out refinance Mortgage meet specific requirements

Property eligibility and appraisal requirements

- Requiring specific appraisal forms to be used for appraisal field reviews, appraisal updates and completion certifications
- Providing guidance to Sellers on reconciling multiple opinions of market value
- Updating language in Guide Section 44.4, *Appraisers*, to provide consistency with Uniform Standards of Professional Appraisal Practice (USPAP)

2012 Loan limits

- Updating applicable Guide sections to reflect the 2012 base conforming loan limits and maximum loan limits, announced on November 22, 2011, for Mortgages secured by properties in designated high-cost areas

We are also reminding Seller/Servicers of their obligation to maintain mortgage insurance coverage for Freddie Mac's benefit, an obligation that includes responding in required time frames to an MI request for information and documentation prior to MI issuance of a coverage rescission or claim denial.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

MORTGAGE ELIGIBILITY AND CREDIT UNDERWRITING

Land contracts and contracts for deed

We are updating our requirements for Mortgages used to pay off balances under land contracts or contracts for deed, including, but not limited to, establishing criteria for when the transaction is considered a purchase or a "no cash-out" refinance. Sections 23.7, *Land Contract; Contract for Deed*, 24.5, *Requirements for "No Cash-Out" Refinance Mortgages*, and H33.3, *General Eligibility Requirements*, have been updated to reflect these changes.

Cash-out refinance seasoning requirement

We have revised Section 24.6, *Requirements for Cash-Out Refinance Mortgages*, to allow a cash-out refinance Mortgage when the property was purchased free and clear of liens and the Borrower has not been on the title to the subject property for at least six months prior to the Note Date, provided the underlying purchase transaction and the cash-out refinance Mortgage meet specific requirements.

PROPERTY ELIGIBILITY AND APPRAISAL REQUIREMENTS – EFFECTIVE APRIL 1, 2012

Use of appraisal field review reports and appraisal updates

We have updated Sections L33.6, *Special Appraisal and Collateral Requirements*, 44.9, *Appraisal and Inspection Report Forms and the Property Inspection Alternative (PIA)*, and 48.5, *Reverifications Made by Seller*, to require Sellers to use Guide Form 1032, *One-Unit Residential Appraisal Field Review Report*, or Form 1072, *Two-to Four-Unit Residential Appraisal Field Review Report*, as applicable, when obtaining an appraisal field review report. Appraisal field review reports are subject to Freddie Mac's appraisal requirements and must be obtained in compliance with Guide Exhibit 35, *Appraiser Independence Requirements*.

We have also updated Section 44.7, *Overview of Appraisals and Inspections and the Property Inspection Alternative (PIA)*, to require Sellers to use Form 442, *Appraisal Update and/or Completion Report*, when obtaining an appraisal update.

Reconciling multiple opinions of market value

When obtaining subsequent opinions of value, Sellers must comply with Exhibit 35. The Seller's appraisal review and reconciliation process must result in the Seller relying on the most accurate and supported opinion of market value. If the Seller determines that the opinions of market value are equally accurate and well supported, then the lower of the opinions of market value must be used to underwrite the Mortgage. New Section 44.16, *Reviewing Appraisal Reports, Obtaining Subsequent Appraisal Reports and Appraisal Field Review Reports, and Reconciling Multiple Opinions of Market Value*, contains this requirement.

Appraisers

To provide consistency with USPAP, we have updated language in Section 44.4 to state that Sellers must select appraisers with "knowledge and experience in appraising the property type in the market area and access to applicable data sources."

2012 LOAN LIMITS

In our Single-Family Update e-mail on November 22, 2011, we announced that our base conforming loan limits and the loan limits for designated high-cost areas will remain at current levels for 2012, with the exception of Fairfield County, Connecticut, where the high-cost area loan limit will increase.

We have updated Section 23.3, *Maximum Original Loan Amounts for Home Mortgage Purchases*, to reflect the 2012 base conforming loan limits and Section L33.2, *Maximum Original Loan Amounts for Super Conforming Mortgages*, to reflect the high-cost area loan limits for super conforming Mortgages with Note Dates on or after October 1, 2011 and Freddie Mac Funding or Settlement Dates on or before December 31, 2012.

REMINDER – SELLER/SERVICER OBLIGATION TO MAINTAIN MORTGAGE INSURANCE COVERAGE – RESPONSE TO MI REQUEST FOR INFORMATION AND DOCUMENTATION

As stated in our August 12, 2011 Industry Letter and as we reminded Sellers in Bulletin 2011-23, Freddie Mac is seeing a material increase in mortgage insurer rescissions, cancellations and denials of coverage of Freddie Mac-owned Mortgages.

Seller/Servicers are reminded that it is both a selling and Servicing obligation to maintain mortgage insurance coverage for Freddie Mac's benefit. The obligation to maintain the mortgage insurance coverage includes responding in the required time frames to the MI's requests for information and documentation prior to the issuance by the MI of a rescission of coverage or a denial of claim.

Before Freddie Mac is notified of the MI's decision to rescind coverage or deny a claim under such coverage for a given Mortgage, certain MIs may allow Seller/Servicers to appeal the MI rescission or claim denial decision to reinstate the mortgage insurance coverage or to facilitate a claim payment to Freddie Mac. In these scenarios, Seller/Servicers must ensure that all applicable MI requirements for rescission or claim denial appeals are satisfied, in accordance with Section 53.2, *The Servicer to Satisfy FHA, VA, RHS and MI Requirements*. Specifically, if the MI requests information or documentation from the Seller/Servicer pertaining to the appeal of a rescission or claim denial decision, then the Seller/Servicer must work expeditiously to provide the information or documentation to the MI within the required time frames, so that Freddie Mac can regain full benefit of the mortgage insurance.

If the Seller/Servicer fails to provide the information required by the MI in a timely manner either initially or as part of the MI's claim review or subsequently as part of the process for appealing a rescission or claim denial to the MI, Freddie Mac will issue a repurchase request to the Seller/Servicer after Freddie Mac is notified of the MI's rescission or claim denial decision.

After Freddie Mac is made aware of the MI's decision to rescind coverage or deny claim under such coverage for a given Mortgage and issues a letter to the Seller/Servicer requiring repurchase of the Mortgage, any concurrent or outstanding Seller/Servicer appeal to the MI related to the Mortgage does not change the Seller/Servicer's obligation to repurchase Freddie Mac's interest in the Mortgage in accordance with Section 72.1, *Repurchases Required by Freddie Mac*.

As a further reminder, Section 72.6, *Appealing a Repurchase Request*, allows Seller/Servicers to file only one appeal within 30 days from the date of Freddie Mac's letter requiring repurchase, or within such other time frame as specified by Freddie Mac, if the Seller/Servicer has additional supporting information and/or documentation that may affect Freddie Mac's decision.

ADDITIONAL GUIDANCE

Title insurance

We have changed Section 39.2, *Title Insurance Policy Requirements*, to replace the term "beneficiary" with the term "insured" as the term "beneficiary" does not exist in the standard American Land Title Association (ALTA) title insurance policy forms.

CPA compliance forms

We have updated the following forms to provide clearer instructions and layout:

- Form 483, *Wire Transfer Authorization*
- Form 900, *Selling System Authorized User Identification & Certification Form*
- Form 987, *Wire Transfer Authorization for a Cash Warehouse Delivery*
- Form 987E, *Wire Transfer Authorization for a Cash Warehouse Delivery – For Use Only with the Freddie Mac Selling System*
- Form 988SF, *Certificate of Incumbency – For a Corporation or Limited Liability Company Only*
- Form 988ASF, *Addendum to Certificate of Incumbency – For a Corporation or Limited Liability Company Only*
- Form 989SF, *Certificate of Incumbency – For a Partnership or Sole Proprietorship Only*
- Form 989ASF, *Addendum to Certificate of Incumbency – For a Partnership or Sole Proprietorship Only*

We have also made the forms fillable for Seller convenience.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters 4, 23, 24, H33, L33, 39, 44 and 48
- Forms 483, 900, 987, 987E, 988SF, 988ASF, 989SF and 989ASF

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select “Loan Origination.”

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness

Freddie Mac
We make home possible®

Bulletin

NUMBER: 2011-26

TO: Freddie Mac Sellers December 30, 2011

SUBJECT: FEDERAL HOUSING FINANCE AGENCY DIRECTIVE TO INCREASE GUARANTEE FEES

BACKGROUND

On December 29, 2011, the Federal Housing Finance Agency (FHFA), pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011, Section 401 ("Act"), directed Freddie Mac and Fannie Mae ("GSEs") to increase guarantee fees by 10 basis points on all Mortgages delivered for inclusion into mortgage-backed securities pools. Additionally, FHFA directed Freddie Mac and Fannie Mae to increase the credit fee on whole loans by a similar amount. To meet the requirements of the Act, FHFA expects to announce plans for additional pricing increases in the future.

GUARANTEE FEES INCREASE

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, at the direction of FHFA, we are announcing that effective for Mortgages with Settlement Dates on or after **April 1, 2012**, we will be implementing a 10 basis point increase in Required Spreads for all products. We will also be making a commensurate change in our cash program pricing.

NOTICE OF CHANGES TO NEGOTIATED TERMS

This Bulletin serves as written notice to Sellers with negotiated Master Commitments that all Required Spreads in the Master Commitments will be subject to the increase. At a future date, the Seller's Master Commitments will be amended to reflect the increased Required Spreads.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Delivery."

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness